

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**City Court of Monroe
Monroe, Louisiana**

**Basic Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
April 30, 2007
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 11/7/07

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED APRIL 30, 2007**

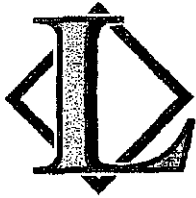
TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
Independent Auditors' Report		1
Required Supplemental Information (Part I):		
Management's Discussion and Analysis		3
Basic Financial Statements:		
Governmental Funds Balance Sheet/ Statement of Net Assets	A	8
Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities	B	9
Statement of Fiduciary Net Assets	C	10
Notes to the Financial Statements		11
	<u>Schedule</u>	<u>Page</u>
Required Supplemental Information (Part II):		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	1	21
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget (GAAP Basis) and Actual		22
Other Supplemental Information:		
Fiduciary Fund Type -- Agency Funds -- Combining Schedule of Changes in Unsettled Deposits	2	23

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED APRIL 30, 2007**

TABLE OF CONTENTS (CONTINUED)

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report Required by <i>Government Auditing Standards:</i>		
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 <i>Government Auditing Standards</i>		25
Schedule of Findings and Responses	3	27
Summary Schedule of Prior Audit Findings	4	31



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, 2007, 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 City Court of Monroe 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 City Court of Monroe. 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, 2007.

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

City Court of Monroe as of April 30, 2007, 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 29, 2007, 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 principally 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 combining schedule of changes in unsettled deposits 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 combining schedule of changes in unsettled deposits 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 a preceding paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Little & Associates, LLC

Monroe, Louisiana
October 29, 2007

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, 2007**

Our discussion and analysis of the City Court of Monroe's (the "City Court") financial performance provides an overview of the City Court's financial activities as of and for the fiscal year ended April 30, 2007. Please read it in conjunction with the City Court's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The City Court's net assets increased by \$272,551 or 35%.

The City Court's total program revenues were \$461,737 in 2007 compared to \$332,641 in 2006.

During the year ended April 30, 2007, the City Court had total expenses, excluding depreciation of \$1,380,372.

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 \$771,274 to \$1,043,825. Our analysis below will focus on key elements of the total governmental funds for the years ended April 30, 2007 and 2006.

Table 1
Net Assets

	Governmental Activities	
	2007	2006
Current assets	\$ 886,458	\$ 604,036
Capital assets, net	166,515	187,029
Total assets	<u>1,052,973</u>	<u>791,065</u>
Current liabilities	9,148	19,791
	<u>9,148</u>	<u>19,791</u>
Net assets:		
Investment in capital assets, net of debt	166,515	187,029
Unrestricted	877,310	584,245
Total net assets	<u>\$ 1,043,825</u>	<u>\$ 771,274</u>

Net assets of the funds maintained by the City Court's governmental activities increased by \$272,551 or 35%. 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 \$293,065 from \$584,245 at April 30, 2006, to \$877,310 at April 30, 2007.

Table 2
Change in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services, fines, fees, & forfeitures	\$ 461,737	\$ 332,641
Interest and other income	62,431	34,765
Intergovernmental - City of Monroe	1,157,372	1,107,911
Total revenues	<u>1,681,540</u>	<u>1,475,317</u>
Expenses:		
General governmental - judicial	<u>1,408,989</u>	<u>1,329,131</u>
Increase in net assets	<u>\$ 272,551</u>	<u>\$ 146,186</u>

For the funds maintained by the City Court, total revenues increased by \$206,223 (14%) from total revenues in 2006 of \$1,475,317 to total revenues of \$1,681,540 in 2007. For the funds maintained by the City Court, program revenues increased by \$129,096 (39%) from program revenue in 2006 of \$332,641 to program revenue of \$461,737 in 2007. The total expenses of the City Court increased by \$79,857 (6%). The portion of the expenses paid by the City Court out of its funds increased by \$30,396 (14%) from \$221,220 to \$251,616.

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 \$877,310, which is an increase of \$293,065 from last year. Program revenues and the amount of funding provided by the City of Monroe increased by \$129,096 and \$49,461, respectively, from the prior year. Expenditures paid out of the City Court’s own funds decreased by \$128,543 from \$359,645 in 2006 to \$231,102 in 2007.

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 \$224,168. Significant favorable variances between actual and budgeted revenues occurred in court costs and civil fees and other income. The most significant unfavorable variances occurred in probation fees, interest income, and bond forfeitures. Total budgeted expenditures exceeded total actual expenditures by \$177,742. The most notable favorable variances occurred in personal services, operating services, and travel and other. There were no significant unfavorable expenditure variances.

CAPITAL ASSETS

At April 30, 2007, the City Court had invested \$343,977 in capital assets from those funds maintained by the City Court.

Table 3
Capital Assets at Year End

	Governmental Activities <u>2007</u>
Computer equipment	\$ 206,892
Equipment	78,443
Improvements	11,683
Furniture	<u>46,959</u>
Total	<u>\$ 343,977</u>

This year's major additions included:

Computer equipment and software	<u>\$ 8,102</u>
Total	<u>\$ 8,102</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 considered many factors when setting the fiscal year 2008 budget. The amount available for appropriation in governmental funds is expected to approximate \$407,000 in 2008, and budgeted expenditures are estimated to be \$398,500.

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 Tammy Lee
Administrative Judge

Basic Financial Statements

**CITY COURT OF MONROE
MONROE, LOUISIANA
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
APRIL 30, 2007**

	General Fund	Adjustments/ Reclassifications - Note 1	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 699,175	\$ -	\$ 699,175
Receivables	9,058	175,890	184,948
Due from fiduciary funds	40,476	(40,476)	-
Due from other governments	135,414	(135,414)	-
Prepaid expenses	2,335		2,335
Capital assets, net of accumulated depreciation	-	166,515	166,515
Total Assets	<u>\$ 886,458</u>	<u>166,515</u>	<u>1,052,973</u>
LIABILITIES			
Accounts payable	\$ 9,111	37	9,148
Due to fiduciary fund	37	(37)	-
Total Liabilities	<u>9,148</u>	<u>-</u>	<u>9,148</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved, reported in:			
General Fund	877,310	(877,310)	-
Total Fund Balance	<u>877,310</u>	<u>(877,310)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 886,458</u>		
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		166,515	166,515
Unrestricted		<u>877,310</u>	<u>877,310</u>
Total Net Assets		<u>\$ 1,043,825</u>	<u>\$ 1,043,825</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, 2007**

	General Fund	Adjustments/ Reclassifications - Note 1	Statement of Activities
EXPENDITURES/EXPENSES			
Judiciary - Current:			
Personal services & benefits	\$ 1,071,983	\$ -	\$ 1,071,983
Operating services	277,548	-	277,548
Materials and supplies	2,787	-	2,787
Travel and other	28,054	-	28,054
Depreciation	-	28,616	28,616
Capital Outlay	8,102	(8,102)	-
Total Expenditures/Expenses	<u>1,388,474</u>	<u>20,514</u>	<u>1,408,988</u>
PROGRAM REVENUES			
Fees, charges, and court costs:			
Court costs	380,567	-	380,567
Probation fees	40,500	-	40,500
Reinstatement fees	2,938	-	2,938
Bond forfeitures	13,388	-	13,388
Other charges for services	24,344	-	24,344
Program Revenues	<u>461,737</u>	<u>-</u>	<u>461,737</u>
Net Program Expense			<u>(947,251)</u>
GENERAL REVENUES			
Intergovernmental - City of Monroe	1,157,372	-	1,157,372
Interest income	19,497	-	19,497
Casualty Gain	-	9,033	9,033
Other income	42,933	(9,033)	33,900
Total General Revenues	<u>1,219,802</u>	<u>-</u>	<u>1,219,802</u>
EXCESS OF REVENUES OVER EXPENDITURES	293,065	(293,065)	-
CHANGE IN NET ASSETS		272,551	272,551
FUND BALANCE/NET ASSETS:			
Beginning of the Year	<u>584,245</u>		<u>771,274</u>
End of Year	<u>\$ 877,310</u>	<u>\$ -</u>	<u>\$ 1,043,825</u>

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS
APRIL 30, 2007**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,086,328
Accounts receivable	<u>567</u>
Total Assets	<u>\$ 1,086,895</u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 180,953
Unsettled deposits held for others	<u>905,942</u>
Total Liabilities	<u>\$ 1,086,895</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, 2007**

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, 2007**

- 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, 2007**

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, 2007**

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, 2007**

Statement B		
Capitalization of Capital Assets	\$	8,102
Recording of Depreciation Expense		(28,616)
Net Effect of Changes	\$	(20,514)
<hr style="border: 0.5px solid black;"/>		
Statement A		
Recording of Net Capital Assets	\$	166,515
Net Effect of Changes	\$	166,515

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 the related depreciation expense is recorded in the 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, 2007**

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, 2007, the Court had cash (book balances) of \$1,785,503 of which \$1,785,003 was in bank accounts and \$500 in petty cash. These amounts are stated at cost, which approximates market.

The Court's deposits (bank balances) totalled \$1,836,902 at April 30, 2007. 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. At April 30, 2007, these deposits were collateralized in full.

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, 2007, none of the Court's deposits were exposed to custodial credit risk.

3. RECEIVABLES

The receivables, as reported in the Statement of Net Assets at April 30, 2007, are summarized as follows:

Class of Receivable	General Fund
Fees, Charges, and Commissions - Due from Fiduciary Funds	\$ 40,476

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2007**

Due from other governmental entities	135,414
Other	<u>11,393</u>
Total	<u>\$ 187,283</u>

Included in the amount due from other governmental entities is \$125,000 due from the City of Monroe. This amount was paid to the City of Monroe to defray the cost of housing prisoners. Since the housing of prisoners is not an obligation of the Court and the cost is not necessary for the Court's operations, unless otherwise determined, the amount is deemed to be owed by the City of Monroe to the Court.

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, 2007, are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 40,476	\$ 37
Special Cost Clearing Fund	37	31,720
Judicial Fund	-	8,756
Totals	<u>\$ 40,513</u>	<u>\$ 40,513</u>

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, 2007**

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended April 30, 2007, are as follows:

<u>Governmental Activities</u>	<u>April 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>April 30, 2007</u>
Computer equipment & software	\$ 305,722	\$ 8,102	\$ (106,932)	\$ 206,892
Equipment	114,858	-	(36,415)	78,443
Furniture	54,524	-	(7,565)	46,959
Improvements	11,683	-	-	11,683
Total	<u>486,787</u>	<u>8,102</u>	<u>(150,912)</u>	<u>343,977</u>
Less accumulated depreciation:				
Computer equipment & software	169,084	23,680	(106,932)	85,832
Equipment	78,337	3,493	(36,415)	45,415
Furniture	52,337	275	(7,565)	45,047
Improvements	-	1,168	-	1,168
Total	<u>299,758</u>	<u>28,616</u>	<u>(150,912)</u>	<u>177,462</u>
Capital Assets, Net	<u>\$ 187,029</u>	<u>\$ (20,514)</u>	<u>\$ -</u>	<u>\$ 166,515</u>

The Court had fixed assets totaling \$150,912 that were destroyed in a fire. These assets were fully depreciated at the time of the fire.

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2007**

**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, 2007, is as follows:

Balance at April 30, 2006	\$ 825,866
Additions	2,655,432
Reductions	<u>2,575,356</u>
Balance at April 30, 2007	<u>\$ 905,942</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 \$11,094 for the year ended April 30, 2007. The future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2008	\$ 7,344
2009	<u>5,508</u>
Future minimum lease payments	<u>12,852</u>

**CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2007**

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 \$1,157,372 for the Court for the year ended April 30, 2007, as follows:

Salaries	\$ 770,762
Fringe benefits	299,875
Operating expenses	<u>86,735</u>
Total	<u>\$ 1,157,372</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, 2007**

	Budgeted Amounts		Actual Costs	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Program revenues:				
Court costs and civil fees	\$ 197,000	\$ 197,000	\$ 380,567	\$ 183,567
Probation fees	58,000	58,000	40,500	(17,500)
Reinstatement fees	2,500	2,500	2,938	438
Bond forfeitures	15,000	15,000	13,388	(1,612)
Other charges for services	-	-	24,344	24,344
General revenues:				
Interest income	25,000	25,000	19,498	(5,502)
Other income	2,500	2,500	42,933	40,433
Total revenues	\$ 300,000	\$ 300,000	\$ 524,168	\$ 224,168
EXPENDITURES				
Judiciary - Current:				
Personal services & benefits	81,344	81,344	1,346	(79,998)
Operating services	277,500	277,500	192,440	(85,060)
Materials and supplies	5,000	5,000	1,160	(3,840)
Travel and other	40,000	40,000	28,054	(11,946)
Capital Outlay	5,000	5,000	8,102	3,102
Total expenditures	408,844	408,844	231,102	(177,742)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(108,844)	(108,844)	293,066	401,910
FUND BALANCE AT BEGINNING OF YEAR	457,484	457,484	585,352	127,868
FUND BALANCE AT END OF YEAR	\$ 348,640	\$ 348,640	\$ 878,418	\$ 529,778

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, 2007

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 Court's expenditures budgeted annually by 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.

**CITY COURT OF MONROE
MONROE, LOUISIANA
OTHER SUPPLEMENTAL INFORMATION**

FIDUCIARY FUND TYPE – AGENCY FUNDS

Judicial Fund

The Judicial Fund accounts for advance deposits on civil suits filed by litigants. The advances are refundable to the litigants after all costs have been paid.

Special Cost Clearing Fund

The Special Cost Clearing Fund accounts for the collection of fines and court costs and the payment of these collections to recipients in accordance with applicable laws.

Bond Escrow Agency Fund

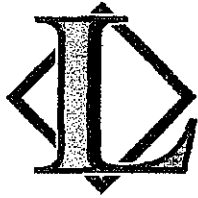
The Bond Escrow Agency Fund accounts for appearance bonds posted by defendants subsequent to arrest and prior to court appearance. The bond posted is refundable to the defendants upon their appearance in court.

**CITY COURT OF MONROE
MONROE, LOUISIANA
FUDICIARY FUND TYPE - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES
IN UNSETTLED DEPOSITS
FOR THE YEAR ENDED APRIL 30, 2007**

	JUDICIAL FUND	SPECIAL COST	BOND ESCROW FUND	TOTAL
Unsettled deposits held for others, May 1, 2006	\$ 659,456	\$ 98	\$ 166,312	\$ 825,866
Additions:				
Advance deposits	418,854			418,854
Fines and court costs		2,175,978		2,175,978
Appearance bonds			60,600	60,600
Total Additions	<u>418,854</u>	<u>2,175,978</u>	<u>60,600</u>	<u>2,655,432</u>
Total	<u>1,078,310</u>	<u>2,176,076</u>	<u>226,912</u>	<u>3,481,298</u>
Reductions:				
Transfers to General Fund:				
Special civil cost	29,950			29,950
Court costs - traffic and criminal		349,255		349,255
Probation fees		40,500		40,500
Transfers to City of Monroe:				
Clerk fees	161,763			161,763
Court costs:				
Equipment Fund		1,600		1,600
Fines and forfeitures		852,265		852,265
Jail		102,187		102,187
Appearance bond refunds			39,300	39,300
Appearance bond forfeited			1,900	1,900
Attorney's fees	1,250			1,250
Indigent Defender Board		337,913		337,913
Judges' Supplemental Compensation Fund	51,551			51,551
Louisiana Commission on Law Enforcement		24,666		24,666
Louisiana Rehabilitation Services:				
Head and Spinal Cord Injury		6,024		6,024
Louisiana State Treasurer		20,566		20,566
Marshal's fees	57,383	359,634		417,017
North Louisiana Criminalistic Laboratory		46,045		46,045
Secretary of State	2,725			2,725
Settlements to litigants	17,714			17,714
Sheriff's fees	15,965			15,965
Other reductions	25,392	29,808		55,200
Total Reductions	<u>363,693</u>	<u>2,170,463</u>	<u>41,200</u>	<u>2,575,356</u>
Unsettled deposits held for others, April 30, 2007	<u>\$ 714,617</u>	<u>\$ 5,613</u>	<u>\$ 185,712</u>	<u>\$ 905,942</u>

**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 R. 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 governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Monroe as of and for the year ended April 30, 2007, which collectively comprise the City Court of Monroe's basic financial statements and have issued our report thereon dated October 29, 2007. 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 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 the City Court of Monroe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court of Monroe's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses and identified as 2007-01, 2007-02, and 2007-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1, 2007-02, and 2007-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court of Monroe's basic 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2007-03.

The City Court of Monroe's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City Court of Monroe's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use 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 29, 2007

CITY COURT OF MONROE
CITY OF MONROE, LOUISIANA

Schedule of Findings and Responses
As of and For the Year Ended April 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. Except for a disclaimer of opinion on the aggregate remaining fund information, the Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the City Court of Monroe (the "Court").
2. One instance of noncompliance material to the financial statements of the City Court of Monroe was disclosed during the audit.
3. Three significant deficiencies 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 significant deficiencies are considered to be material weaknesses.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2007-01 State of Accounting and Reporting for Judicial Fund

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.

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 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").

Context: Relevant to the Judicial Advance Fund only.

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.

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

**Schedule of Findings and Responses
As of and For the Year Ended April 30, 2007**

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

Recommendation and Additional Auditors' Comments: 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. We recommend that Management continue to reconcile the advance deposits per the current case management system schedule to the suit files until this process is completed. 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. Management is making good faith efforts to resolve this finding within the fiscal year ending April 30, 2008. The Court has hired two full-time clerks whose primary responsibility is to reconcile the schedule of the advance deposit balances to the suit files. Also, over the past few months, the Court has made significant progress toward completion of the reconciliation of the schedule of the advance deposit balances to the suit files.

The Court's View on the Finding and Corrective Action Plan: The Court agrees with auditors' finding and recommendation. The Court is now making substantial progress in reconciling the suit balances per the case management system to the suit files. Approximately 63% of the cases have been reconciled at this point in time. The Court has hired two full-time clerks whose primary function is to reconcile the suit balances per the case management system to the suit 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. The Court has acquired a new case management software system which will integrate the accounting and reporting functions for advance deposit transactions thereby significantly reducing the ability of the Court to accumulate unidentifiable deposits. However, due to problems that arose in converting to the current case management system, the Court believes that is important to complete the reconciliation process before converting to the new system.

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

**Schedule of Findings and Responses
As of and For the Year Ended April 30, 2007**

2007-02 Preparation of Annual Financial Statements

Criteria: An adequately designed system of internal control over financial reporting includes controls over preparation of the annual financial statements, including footnote disclosures. Such internal controls should require that the annual financial statements be prepared by personnel capable of preparing the financial statements in accordance with generally accepted accounting principles. In addition, such personnel should have the skills and competencies to prevent, detect, and correct a material misstatement in the financial statements.

Condition: Court personnel do not have the capability to prepare annual financial statements, including footnote disclosures, in accordance with generally accepted accounting principals and do not have the skills and competencies necessary to prevent, detect, and correct a material misstatement.

Context: N/A.

Effect: The possibility of material misstatement in the financial statements may occur.

Cause: Court personnel have not had adequate training in the preparation of financial statements, including footnote disclosures.

Recommendation: Court personnel with direct responsibility over financial reporting should receive training in the preparing of financial statements, including note disclosures. The training should be sufficient to provide such Court personnel with the skills and competencies necessary to prevent, detect, and correct a material misstatement.

The Court's View on the Finding and Corrective Action Plan: The Court, having been made aware for the first time this year of said deficiency, will promptly ensure that Court personnel having financial reporting responsibilities will receive intensive training in the preparation of financial statements, including footnote disclosures.

2007-03 Payments for Prisoner Housing Costs

Criteria: Funds generated by the operations of the City Court of Monroe are to be utilized in the funding of the Court's operating expenses. Also, the Court has no financial or legal obligation to use its operating funds to pay for expenses of the City of Monroe which are unrelated to the operation of the Court. Additionally, the City of

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

**Schedule of Findings and Responses
As of and For the Year Ended April 30, 2007**

Monroe is solely responsible for providing the funds necessary to house the City's prisoners.

Condition: The City of Monroe (the "City") and the Court entered into an agreement in which the Court agreed to transfer to the City \$125,000 for prisoner housing costs conditional upon the Mayor of the City of Monroe executing a memo to the Monroe City Chief of Police letting him know the Mayor's preference is that all criminal charges should be written under applicable City ordinances, unless specific charges have been agreed between the Court and the City of Monroe to be sent to Fourth District Court. In accordance with the terms of the agreement, the Court transferred \$125,000, in four equal installments, to the City during the year ended April 30, 2007, for the purpose of defraying the City's cost to house its prisoners.

Context: N/A.

Effect: The Court expended funds for purposes which were not related to and not necessary for the Court's operations. Additionally, by transferring the funds to the City to defray costs unrelated to the operation of the Court, the Court may have violated Article 7, Section 14 of the Louisiana Constitution, which states, in part, that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Cause: The Court entered into the agreement for the purpose of maintaining court operations.

Recommendation: The City Court of Monroe along with the City of Monroe should seek an Attorney General's opinion regarding the legality of the transfer of the funds to the City. More specifically, the Court and the City should request a response to the following questions: (1) can the Court provide financial support from its operating fund for the housing of the City's prisoners, and (2) if the Attorney General's response to (1) above is negative, is the City of Monroe obligated to return the \$125,000 to the City Court of Monroe.

The Court's View on the Finding and Corrective Action Plan: The Court does not agree with the auditors' findings and the characterization of the Court's contractual obligation with City of Monroe. The Court maintains that it entered into a valid, legally binding contract for maintenance of Court operations, but will nonetheless seek an Attorney General's opinion on said legality.

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

**Summary Schedule of Prior Audit Findings
As of and For the Year Ended April 30, 2007**

In connection with our audit of the City Court of Monroe as of and for the year ended April 30, 2007, we have also reviewed the status of prior year findings. The following presents the status of those findings:

Finding 06-01: 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.