

LUFFEY, HUFFMAN & MONROE
Certified Public Accountants
P.O. BOX 4745 1100 NORTH 18TH STREET
MONROE, LOUISIANA 71211-4745

TELEPHONE (318) 387-2672
FAX (318) 322-8866

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City Court of Monroe, Louisiana
Monroe, Louisiana**

We have audited the component unit financial statements of **City Court of Monroe, Louisiana** (the Court), a component unit of the City of Monroe, Monroe, Louisiana as of and for the year ended April 30, 1996, and have issued our report thereon dated September 6, 1996.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Court is the responsibility of the Court's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the Court's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts or grants, that cause us to conclude that the aggregation of misstatements resulting from those failures or violations

**City Court of Monroe, Louisiana
Independent Auditors' Report on Compliance**

is material to the component unit financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance.

1. Deposit Filings for Civil Suits - Monroe Housing Authority -

Finding:

In the performance of our procedures to test the Court's overall compliance with laws and regulations, we tested twenty civil court cases out of a total population of 3,485 cases during the year to ensure that the necessary deposits were made to cover filing and processing costs. We noted seven instances out of our sample, whereby the Court was not requiring the Monroe Housing Authority to deposit the necessary monies for the filing of civil court cases. We discovered after further analysis, that the City Court did not require the Housing Authority to furnish any such deposits for any civil court cases filed within its jurisdiction. Because of the volume of cases that the Housing Authority files monthly (25-30 per month), this represents a sizeable expense to the Court which is not reimbursed, as well as a reduction of overall civil court revenues. The Monroe Housing Authority cites the court's ruling in Construction Company v. Housing Authority of the City of Opelousas, 197 So. 2nd (LA 1967), as legal precedence for its position. The ruling in the case stated that in accordance with Section 10 of Article XII of the Constitution, neither the state nor subdivision thereof, shall be required to pay court costs, until a final and definitive judgement is rendered against said parties. We noted that the ruling involved actions against the state or subdivision thereof, and not instances where the state or subdivision is a plaintiff to the suit.

Recommendation:

We recommend that the City Court obtain a ruling on the appropriateness and legality of the present arrangement between the Court and the Monroe Housing Authority from the City of Monroe's Attorney.

Response:

Monroe City Court will implement the following procedures in agreement with the Monroe Housing Authority:

- (1) Reduce the number of cases in which the Monroe Housing Authority can file monthly to help minimize court costs absorbed by the Court.
- (2) Require the Clerk of Court to bill the Monroe Housing Authority for court costs on all dismissals.

**City Court of Monroe, Louisiana
Independent Auditors' Report on Compliance**

2. Timely Refunding of Deposits -

Finding:

In the performance of our procedures to test the Court's overall compliance with laws and regulations, we noted seven instances within our sample of twenty civil cases, whereby the Court was not refunding the balance of the civil court deposits to the plaintiffs upon disposition of the cases in a timely manner.

Recommendation:

We recommend that the Court maintain adequate records of case dispositions to ensure that any remaining balances are refunded to plaintiffs in a timely manner. Since these monies are held by the Court on behalf of these individuals to cover filing and processing costs, any balance remaining after the court renders a final and definitive judgement should be refunded accordingly.

Response:

For the past four years, great efforts have been made to refund disposed cases within the required time limit. Due to a shortage of manpower as well as man hours, it has been difficult to refund disposed cases without having backlog. To reduce backlog, the civil department is refunding cases immediately after the judge has signed a dismissal or judgment. Staff members also work on refunding backlog cases during normal business hours and available weekends.

3. Timely Submission of Audited Financial Statements -

Finding:

Under Louisiana Revised Statutes, audit reports of a Louisiana governmental entity or quasi-public entity prepared by licensed certified public accountants must be completed and submitted to the Legislative Auditors's office within six months of the close of the entity's fiscal year. The six month deadline for the submittal of the Monroe City Court's audit report was October 31, 1996. The Business Manager was not able to meet with the City Court judges in a timely manner to discuss the current year audit findings in an effort to obtain the necessary Court responses, the direct result being that the audited financial statements were not submitted within the mandatory time frame allowed under the Louisiana Revised Statutes.

2/22

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK In FILE)

RECEIVED DIRECTOR
GENERAL INVESTIGATIVE
DIVISION
DECEMBER 18 1996

**CITY COURT OF MONROE
MONROE LOUISIANA**

**Component Unit Financial Statements
With Independent Auditors' Report
As of and for the Year Ended
April 30, 1996
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 18 1996

LUFFEY, HUFFMAN & MONROE
Certified Public Accountants
P.O. BOX 4745 1100 NORTH 18TH STREET
MONROE, LOUISIANA 71211-4745

TELEPHONE (318) 387-2672
FAX (318) 322-8866

INDEPENDENT AUDITORS' REPORT

**City Court of Monroe
Monroe, Louisiana**

We have audited the accompanying component unit financial statements of the **City Court of Monroe, Louisiana** (the Court), a component unit of the City of Monroe, Monroe, Louisiana, as of and for the year ended April 30, 1996, as listed in the accompanying Table of Contents. These component unit financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Court at April 30, 1996, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 6, 1996 on our consideration of the Court's internal control structure and a report dated September 6, 1996 on its compliance with laws and regulations.

**City Court of Monroe, Louisiana
Independent Auditors' Report**

The accompanying information listed as Supplemental Information Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Court. Such Other Supplemental Information Schedules have been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ruffey, Huffman & Monroe".

**Monroe, Louisiana
September 6, 1996**

**COMPONENT UNIT FINANCIAL STATEMENTS
(OVERVIEW)**

**CITY COURT OF MONROE
MONROE, LOUISIANA
ALL FUNDS TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET, APRIL 30, 1996**

	Governmental Fund Type - General Fund	Fiduciary Fund Type - Agency Funds	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
ASSETS					
Cash	\$ 191,299	\$ 354,104	\$ 0	\$ 0	\$ 545,403
Due From Other Funds	32,038	0	0	0	32,038
Office Furnishings and Equipment	0	0	219,278	0	219,278
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	25,357	25,357
TOTAL ASSETS	\$ 223,337	\$ 354,104	\$ 219,278	\$ 25,357	\$ 822,076
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	\$ 1,487	\$ 138,985	\$ 0	\$ 0	\$ 140,472
Due to Other Funds	0	32,038	0	0	32,038
Due to Other Governments	44,720	0	0	0	44,720
Deposits Due Others	0	183,081	0	0	183,081
Lease-Purchase Payable	0	0	0	25,357	25,357
Total Liabilities	46,207	354,104	0	25,357	425,668
Fund Equity					
Investment in General Fixed Assets	0	0	219,278	0	219,278
Fund Balance - Unreserved - Undesignated	177,130	0	0	0	177,130
Total Fund Equity	177,130	0	219,278	0	396,408
TOTAL LIABILITIES AND FUND EQUITY	\$ 223,337	\$ 354,104	\$ 219,278	\$ 25,357	\$ 822,076

The accompanying notes are an integral part of this statement.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, which are not required to be tried by jury. The City judges are elected for six year terms.

A. *REPORTING ENTITY*

As the governing authority of the City, for reporting purposes, the City of Monroe is 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 of Monroe for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is 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;
 - 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.

**City Court of Monroe, Louisiana
Independent Auditors' Report on
Internal Control**

In planning and performing our audit of the component unit financial statements of the Court for the year ended April 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the component unit 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the management of the Court and the Legislative Auditor of the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Ruffin Huffman". The signature is written in black ink and is positioned above the typed name and date.

**Monroe, Louisiana
September 6, 1996**

**CITY COURT OF MONROE
MONROE, LOUISIANA
GOVERNMENTAL FUND TYPE - GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 1996**

REVENUES

Fees, Charges, and Commissions for Services:

Civil Fees	\$ 25,682
Court Costs	130,805
Reinstatement Fees	4,787
Use of Money and Property - Interest Earnings	27,365
Total Revenues	188,639

EXPENDITURES

Judicial:

Current:

Operating Services:

Subscriptions	2,673
Professional Dues	766
Postage	10,045
Equipment Rental	1,004
Equipment Maintenance	6,089
Professional Services	15,710
Judges Ad Hoc	1,700
Bank Charges	1,290
Insurance - Equipment	335
Miscellaneous	1,958
Materials and Supplies:	
Office Supplies	26,846
Coffee, Cokes and Water	6,856
Travel and Other:	
Travel and Seminars	10,301
Library	6,062
Capital Outlay - Equipment and Furniture	3,287
Debt Service - Capital Lease:	
Principal	19,253
Interest	8,895
Total Expenditures	123,070

Excess of Revenues Over Expenditures

65,569

Excess fund balance due to City of Monroe

(44,720)

Fund Balances at Beginning of Period

156,281

FUND BALANCES AT END OF PERIOD

\$ 177,130

The accompanying notes are an integral part of this statement.

LUFFEY, HUFFMAN & MONROE
Certified Public Accountants
P.O. BOX 4745 1100 NORTH 18TH STREET
MONROE, LOUISIANA 71211-4745

TELEPHONE (318) 387-2672
FAX (318) 322-8866

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City Court of Monroe, Louisiana
Monroe, Louisiana**

We have audited the component unit financial statements of **City Court of Monroe, Louisiana (the Court)**, a component unit of the City of Monroe, Monroe, Louisiana as of and for the year ended April 30, 1996, and have issued our report thereon dated September 6, 1996.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of the Court is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**INDEPENDENT AUDITORS' REPORTS REQUIRED
BY *GOVERNMENT AUDITING STANDARDS***

The following independent auditors' reports on compliance and internal control structure are presented in accordance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS**

Schedule 2

**COMBINING SCHEDULE OF CHANGES IN
DEPOSITS DUE OTHERS
FOR THE YEAR ENDED APRIL 30, 1996**

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
DEPOSITS DUE OTHERS AT BEGINNING OF YEAR	\$ 331,136	\$ 2,218	\$ 333,354
ADDITIONS			
Court Deposits	423,451		423,451
Fines and Court Costs		1,449,290	1,449,290
Total Additions	<u>423,451</u>	<u>1,449,290</u>	<u>1,872,741</u>
Total	754,587	1,451,508	2,206,095
REDUCTIONS			
Transfers to General Fund:			
Special Civil Cost	25,682		25,682
Court Costs - Traffic and Criminal		130,805	130,805
Transfers to City of Monroe:			
Clerk Fees	383,490		383,490
Court Costs:			
DWI Probation		10,131	10,131
Equipment Fund		10,131	10,131
Fines and Forfeitures		609,809	609,809
Attorney's Fees	3,720		3,720
Applied Technology Unit		3,500	3,500
Bank Charges	441		441
Booking Fees	2,160		2,160
Crime Victims		2,175	2,175
Curator Fees	260		260
Indigent Defender Board		320,428	320,428
Judges' Supplemental Compensation Fund	37,930		37,930
Louisiana Commission on Law Enforcement		39,891	39,891
Louisiana Rehabilitation Services:			
Head and Spinal Cord Injury		21,090	21,090
Marshal's Fees	63,561	208,648	272,209
North Louisiana Criminalistic Laboratory		75,960	75,960
Secretary of State	2,815		2,815
Settlements to Litigants	38,762		38,762
Sheriffs' Fees	14,501		14,501
Other Reductions	17,124		17,124
Total Reductions	<u>590,446</u>	<u>1,432,568</u>	<u>2,023,014</u>
DEPOSITS DUE OTHERS AT END OF YEAR	<u>\$ 164,141</u>	<u>\$ 18,940</u>	<u>\$ 183,081</u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
FIDUCIARY FUND TYPE - AGENCY FUNDS**

Schedule 1

COMBINING BALANCE SHEET, APRIL 30, 1996

	<u>Judicial Fund</u>	<u>Special Cost Clearing Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ <u>209,708</u>	\$ <u>144,396</u>	\$ <u>354,104</u>
LIABILITIES			
Accounts Payable	24,902	114,083	138,985
Due to Other Funds	20,665	11,373	32,038
Deposits Due Others	<u>164,141</u>	<u>18,940</u>	<u>183,081</u>
TOTAL LIABILITIES	\$ <u>209,708</u>	\$ <u>144,396</u>	\$ <u>354,104</u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

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.

SUPPLEMENTAL INFORMATION SCHEDULES

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

**Note 7 - EXPENDITURES OF THE CITY COURT
PAID BY THE CITY OF MONROE**

A portion of operating expenditures incurred by the city court are paid by the City of Monroe. Those operating expenditures incurred by the City of Monroe on behalf of the court are not included in the accompanying component unit financial statements.

The court's building in the City Hall Complex and part of its furnishings and equipment are provided by the City of Monroe and, accordingly, are recorded in the city's general fixed asset account group. Equipment and furniture purchased with court funds are recorded as an expenditure on the statement of revenues, expenditures, and changes in fund balance and as an asset on the combined balance sheet.

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 5 - CAPITAL LEASES (Continued)

computer system entered into on June 1, 1992 and April 30, 1995, respectively. The copier lease is due in sixty monthly installments of \$350 through April, 1997, with an interest rate of fourteen per cent per annum. The computer system is due in thirty-six monthly installments of \$1,997 through April, 1997, with an interest rate of thirteen per cent per annum. Debt service payments are made from the General Fund.

The following is a summary of capital lease transactions for the year ended April 30, 1996:

Lease-purchase payable at May 1, 1995	\$ 48,374
Reductions	<u>23,017</u>
 Lease-purchase payable at April 30, 1996	 <u>\$ 25,357</u>

The following is a summary of future minimum lease payments, together with the present value of the net minimum lease payments, as of April 30, 1996:

<u>Year</u>	
1997	
Total minimum lease payments	\$ 28,164
Less: amount representing interest	<u>(2,807)</u>
Present value of net minimum lease payments	<u>\$ 25,357</u>

Note 6 - DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at April 30, 1996, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 29,628	\$ 0
Agency Funds:		
Judicial	0	20,666
Special Cost Clearing	0	11,372
Special Civil Cost	<u>2,410</u>	<u>0</u>
Total	<u>\$ 32,038</u>	<u>\$ 32,038</u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 2 - CASH AND DEPOSITS (Continued)

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the Court, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, 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 management of the court that the fiscal agent bank has failed to pay deposited funds upon demand.

Note 3 - CHANGES IN AGENCY FUNDS' DEPOSITS DUE OTHERS

A summary of changes in agency funds' deposits due others for the year ended April 30, 1996 is as follows:

Balance, May 1, 1995	\$ 333,354
Additions	1,872,741
Reductions	<u>2,023,014</u>
 Balance, April 30, 1996	 <u>\$ 183,081</u>

Note 4 - CHANGES IN GENERAL FIXED ASSETS

The following schedule presents changes in equipment and furniture for the year ended April 30, 1996:

Balance, May 1, 1995	\$ 215,991
Additions	<u>3,287</u>
 Balance, April 30, 1996	 <u>\$ 219,278</u>

Note 5 - CAPITAL LEASES

The court records items under capital leases as an asset and an obligation in the accompanying financial statements. At April 30, 1996, the court is involved in two lease-purchase agreements for the purchase of a Mita Copier and Sorter and a

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. TOTAL COLUMN ON COMBINED BALANCE SHEET

The total column on the combined balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CASH AND DEPOSITS

Under state law, the court may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, 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 principal offices in Louisiana. At April 30, 1996, the court has cash and cash equivalents (book balances) totaling \$ 545,403, as follows:

Demand deposits	\$ 544,903
Petty cash	<u>500</u>
 Total	 <u>\$ 545,403</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash (bank balances) at April 30, 1996, are secured as follows:

Bank Balances	\$ <u>572,452</u>
Federal deposit insurance	<u>\$ 284,720</u>
Pledged securities	<u>\$ 287,731</u>

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Because the City provides the Court's building, a portion of its furnishings, and pays a majority of its operating expenditures, the court is 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, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING

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

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Court's current operations require the use of governmental and fiduciary funds. The fund types used by the Court are described as follows:

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUND ACCOUNTING (Continued)

Governmental Fund - General Fund

The General Fund is used to account for the operations of the Court. The various fees and charges due to the Court are accounted for in this fund. General operational expenditures not otherwise provided by the City of Monroe are paid from this fund.

Fiduciary (Agency) Funds

The Judicial and Special Cost Clearing Agency Funds are used to account for assets held by the Court as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. GENERAL FIXED ASSETS AND LONG-TERM DEBT

Fixed assets used in governmental fund type operations (general fixed assets) purchased by the General Fund, are accounted for in the general fixed assets account group, rather than in the General Fund. General fixed assets provided by the City of Monroe are recorded in the City's general fixed assets account group and are not reported by the Court. Approximately 18 percent of fixed assets are valued at estimated historical cost, based on the actual historical cost of like items, while the remaining 82 percent are based on actual historical costs. No depreciation has been provided on general fixed assets.

For long-term debt, such as capital leases, only that portion expected to be financed from expendable, available financial resources is reported as a liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

D. BASIS OF ACCOUNTING

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a

**CITY COURT OF MONROE
MONROE, LOUISIANA**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report -----	1 - 2
COMPONENT UNIT FINANCIAL STATEMENTS (OVERVIEW)	
Combined Balance Sheet - All Fund Types and Account Groups -----	4
Governmental Fund Type - General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance -----	5
Notes to Financial Statements -----	6 - 13
SUPPLEMENTAL INFORMATION SCHEDULES FIDUCIARY FUND TYPE - AGENCY FUNDS	
Combining Balance Sheet -----	16
Combining Schedule of Changes in Deposits Due Others -----	17
SUPPLEMENTAL INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report on Internal Control Structure Based on an Audit of Component Unit Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	19 - 20
Independent Auditors' Report on Compliance Based on an Audit of Component Unit Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	21 - 24

**CITY COURT OF MONROE
MONROE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 1996**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BASIS OF ACCOUNTING (Continued)

current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for reporting all governmental and fiduciary fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Court uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

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

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, 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.

E. BUDGET PRACTICES

The court is not required to prepare an annual budget for its General Fund because the judiciary is not included within the definition of a "political subdivision" covered by the Louisiana Government Budget Act.

**City Court of Monroe, Louisiana
Independent Auditors' Report on Compliance**

Recommendation:

We recommend that the Monroe City Court submit all future reports in a timely manner in accordance with the guidelines of the statutes.

Response:

We agree with the auditors' recommendation and management will submit all future financial reports in a timely manner in accordance with the guidelines of the Louisiana Revised Statutes.

* * * * *

We considered these instances of noncompliance in forming our opinion on whether the Court's April 30, 1996, component unit financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated September 6, 1996, on those component unit financial statements.

This report is intended for the management of the Court and the Legislative Auditor of the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.



**Monroe, Louisiana
September 6, 1996**