

**CITY COURT OF  
LAKE CHARLES, LOUISIANA  
CITY OF LAKE CHARLES, LOUISIANA  
COMPONENT UNIT FINANCIAL REPORT  
DECEMBER 31, 2007 AND 2006**

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 7-30-08

CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2007

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	2
List of Principal Officials	3
FINANCIAL SECTION	
Report of Independent Auditors	4-5
Required Supplementary Information: Management's Discussion and Analysis	6-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheets - Governmental Funds	15
Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16-17
Statements of Net Assets - Fiduciary Funds	18
Notes to Financial Statements	19-26
Required Supplementary Information:	
Budgetary Comparison Schedule	27
General Fund	28-29
Special Revenue Fund	30-31
REPORT ON COMPLIANCE AND INTERNAL CONTROL	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards	32-34
Schedule of Findings and Questioned Costs	35-37
Appendix A	38-39
Schedule of Prior Year Findings and Questioned Costs	40

CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2007

JUDGES

Honorable John S. Hood

Honorable Thomas P. Quirk

# McELROY, QUIRK & BURCH

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01694.000 Lake Charles City Court Audit 12/31/2007 city court PR

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CPE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, 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 Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the City Court's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City Court of Lake Charles, Louisiana management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, as of December 31, 2007 and 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 6 through 11 and budgetary comparison information on pages 28 and 31 are not a required part 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of the City Court of Lake Charles, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Mr. Erroy Quirk & Beuch*

Lake Charles, Louisiana  
June 20, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Lake Charles City Court's financial performance provides an overview of the City Court's financial activities for the years ended December 31, 2007 and 2006.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of City Court as a whole and present a longer-term view of the City Court's finances. 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 an agent for the benefit of those outside of the government.

### **Reporting the City Court as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about 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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's net assets and changes in them. The City Court's net assets - the difference between assets and liabilities - is one way to measure the City Court's 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.

## Reporting the City's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City Court as a whole. Some funds are required to be established by State law. However, the City Court establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. City Court's governmental fund uses a certain account approach described below:

Governmental funds - All of the City Court's basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses 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 basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City Court's programs.

### Reporting the City Court's Fiduciary Responsibilities

The City Court is the agent, or fiduciary for the civil fund. All the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. 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 CITY COURT AS A WHOLE

For the years ended December 31, 2007 and 2006, net assets changed as follows:

	<u>2007</u>	<u>2006</u>
Beginning net assets	\$ 1,104,658	\$ 789,238
Increase in net assets	<u>439,126</u>	<u>315,420</u>
Ending net assets	<u>\$ 1,543,784</u>	<u>\$ 1,104,658</u>

The City began paying the utilities of the City Court; therefore, the rent expense has been reduced causing the revenue for the Judicial Building to increase. Also, the waiving of warrant fees has been tightened with the new Marshall; therefore, more fees are being collected resulting in more revenue.

An additional reason for the increase in net assets is due to the bill RS 13:1907 being passed for City Court stating that the civil fee account and such fee or cost has remained unclaimed in excess of five years and upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund, the judge of the court may transfer the amount of the surplus to the general operational fund of the court. The unclaimed amounts at December 31, 2007 and 2006 were \$67,320 and \$19,158, and were recorded in the general fund as revenue.

**Governmental Activities**

This section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. It also identifies how much each function draws from the general revenues or if it is self-financing through fees. Some of the individual line item revenues reported for each function are:

Administration (general government)

Fees earned from violation tickets paid

Judicial

Fees earned through violation tickets paid but restricted to not pay Judge's salary/retirement

Judicial Building

Fees collected for current rent, maintenance and future building for City Court

	Functions/Programs			Totals	
	Administration	Judicial	Judicial Building	2007	2006
<b>Expenses:</b>					
Salaries and benefits	\$ 47,999	\$ 136,267	\$ -	\$ 184,266	\$ 166,132
Materials and supplies	21,452	3,230	-	24,682	25,446
Professional development and training	34,636	18,168	-	52,804	36,111
Rent	-	-	63,269	63,269	63,269
Other expenses	18,864	5,731	-	24,595	17,248
Depreciation	14,110	2,095	-	16,205	14,195
Total expenses	137,061	165,491	63,269	365,821	322,401
<b>Program revenues:</b>					
Charges for services	107,395	194,639	-	302,034	182,432
Judicial building collections	-	-	228,640	228,640	222,170
General revenues	-	-	-	274,273	233,219
Total revenues				804,947	637,821
Change in net assets				\$ 439,126	\$ 315,420



**THE CITY COURT'S FUNDS**

The fund balance of the City Court's general fund and special revenue fund increased by \$439,126 during the year ended December 31, 2007. This is primarily due to an increase in warrant fees collected on tickets, the forfeited money from the civil filing fees, and the collection of state fees as of September 2007.

The following schedule presents a summary of the general and special revenue funds and expenditures for the years ended December 31, 2007 and 2006. Also presented on the schedules are the amounts and percentages of increase or decrease from amounts for the year ended December 31, 2006.

	<u>Totals</u>		<u>Change from 2006</u>	<u>% Variance</u>
	<u>2007</u>	<u>2006</u>		
<b>Revenues:</b>				
Charge for services	\$ 302,034	\$ 182,432	\$ 119,602	65.6%
Court cost and fines	236,507	197,188	39,319	19.9%
Interest income	26,220	21,131	5,090	24.1%
Miscellaneous income	11,547	14,900	(3,354)	-22.5%
Judicial building collections	<u>228,640</u>	<u>222,170</u>	<u>6,470</u>	<u>2.9%</u>
<b>Total revenues</b>	<b><u>\$ 804,948</u></b>	<b><u>\$ 637,821</u></b>	<b><u>\$ 167,127</u></b>	<b><u>26.2%</u></b>

- \* Charges for services increased due to fees from DMV for reinstatement of licenses being turned in.
- \* Court cost and fines increased due to fines being increased in the last quarter.

	<u>Totals</u>		<u>Change from 2006</u>	<u>% Variance</u>
	<u>2007</u>	<u>2006</u>		
<b>Expenditures:</b>				
Bank service charges	\$ 675	\$ 394	\$ 281	71.4%
Dues and subscriptions	6,276	5,185	1,091	21.0%
Equipment lease	400	431	(31)	-7.1%
Maintenance	4,147	1,201	2,947	245.4%
Miscellaneous	11,334	7,761	3,573	46.0%
Office expense	18,406	20,261	(1,855)	-9.2%
Professional development and training	52,805	36,111	16,694	46.2%
Rent	63,269	63,269	-	0.0%
Retirement	22,924	20,656	2,268	11.0%
Salaries	161,342	145,475	15,866	10.9%
Taxes-payroll	3,674	3,203	471	14.7%
Telephone	4,364	4,259	105	2.5%
Capital outlay	<u>13,867</u>	<u>9,964</u>	<u>3,903</u>	<u>39.2%</u>
<b>Total expenditures</b>	<b><u>\$ 363,483</u></b>	<b><u>\$ 318,170</u></b>	<b><u>\$ 45,313</u></b>	<b><u>14.2%</u></b>

- \* Professional development and training increased due to sending employees on more training conferences.
- \* Salaries increased due to the court supplementing a portion of the salaries of the employees.
- \* Capital outlay increased due to the purchase of new computer equipment and software.

**SIGNIFICANT BUDGET VARIANCES**

Over the course of the year, the City Court revised the general fund and special revenue fund budgets one time. This amendment reduced budgeted revenues and expenditures by \$109,025 and \$46,194, respectively. A list of the major changes from the original budget and explanations for those changes are as follows:

**Revenue:**

\$ (25,000) court cost and fines: Tickets were not being paid as projected at the beginning of the year.

\$109,000 charges for services: The fees for items in the civil section went up in March creating more revenue for the Judges fees transferred.

\$14,525 miscellaneous income: There were some bank errors that were fixed by using this income.

**Expenses:**

\$16,400 salary expense: Increased due to court supplementing salaries for employees.

\$17,085 miscellaneous expense: There were some bank errors that were fixed using this expense.

**CAPITAL ASSETS**

At the end of December 31, 2007 and 2006, the City Court had \$352,025 and \$338,159 in capital assets. City Court does not have infrastructure of assets to report. This represents a net increase of \$13,866 and \$9,964 over the last two years due to the purchase of new computers, printers, video equipment and software.

	<u>2007</u>	<u>2006</u>
Equipment (i.e., computers, copy machines)	\$ 336,952	\$ 323,086
Furniture and fixtures (i.e., desks, chairs & filing cabinets)	<u>15,073</u>	<u>15,073</u>
	<u>\$ 352,025</u>	<u>\$ 338,159</u>

Difference: \$(13,866) computers, printers, software and video equipment purchased.

#### **ECONOMIC FACTORS AND NEXT YEAR'S RATES**

In the last year, tickets were projected to increase, which caused more fees to be generated. It is foreseen that this pattern will continue for some time but there is no indication when this pattern will decrease. It has gone to the legislature and passed that civil suits filed with Lake Charles City Court be raised to the maximum limit of \$25,000. This change will allow more suits to be filed in our court creating more income for our Judicial Building Fund. Also, warrant fees are not being waived as much as in past years; therefore, an increase in revenues from warrant fees should take place. The Lake Charles Police Department is enforcing the click-it or ticket campaign which will increase seatbelt tickets. Also, they are enforcing the speeding laws more efficiently; therefore, we should see an increase in speeding tickets.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City Court's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Court Clerk's office at PO Box 1664; Lake Charles, Louisiana.

Rebecca Liles  
City Court Comptroller

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 765,485	\$ 572,303
Cash - restricted	1,001	1,001
Due from other funds	<u>130,514</u>	<u>45,199</u>
Total current assets	<u>897,000</u>	<u>618,503</u>
Noncurrent assets:		
Cash - restricted	667,383	502,161
Capital assets (net)	<u>30,692</u>	<u>33,031</u>
Total noncurrent assets	<u>698,075</u>	<u>535,192</u>
Total assets	<u>1,595,075</u>	<u>1,153,695</u>
Liabilities:		
Accounts payable	453	478
Due to other agencies	<u>50,838</u>	<u>48,559</u>
Total liabilities	<u>51,291</u>	<u>49,037</u>
Net assets		
Invested in capital assets, net of related debt	30,692	33,031
Restricted	568,384	503,162
Unrestricted	<u>844,708</u>	<u>568,465</u>
Total net assets	<u>\$ 1,543,784</u>	<u>\$ 1,104,658</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2007

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
<b>Expenses:</b>				
Salaries and benefits	\$ 47,999	\$ 136,267	\$ -	\$ 184,266
Materials and supplies	21,452	3,230	-	24,682
Professional development and training	34,636	18,168	-	52,804
Rent	-	-	63,269	63,269
Other program expense	18,864	5,731	-	24,595
Depreciation	14,110	2,095	-	16,205
Total expenses	137,061	165,491	63,269	365,821
<b>Program revenues:</b>				
Charges for services	107,395	194,639	-	302,034
Judicial building collections	-	-	228,640	228,640
Net program expense (income)	<u>\$ 29,666</u>	<u>\$ (29,148)</u>	<u>\$ (165,371)</u>	<u>(164,853)</u>
<b>General revenues:</b>				
Interest				26,220
Miscellaneous				11,546
Violations income				236,507
Total general revenues				274,273
Change in net assets				439,126
Net assets - beginning				1,104,658
Net assets - ending				<u>\$ 1,543,784</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2006

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
<b>Expenses:</b>				
Salaries and benefits	\$ 37,328	\$ 128,804	\$ -	\$ 166,132
Materials and supplies	22,025	3,421	-	25,446
Professional development and training	17,629	18,482	-	36,111
Rent	-	-	63,269	63,269
Other program expense	9,183	8,065	-	17,248
Depreciation	12,111	2,084	-	14,195
Total expenses	98,276	160,856	63,269	322,401
<b>Program revenues:</b>				
Charges for services	114,870	67,562	-	182,432
Judicial building collections	-	-	222,170	222,170
Net program expense (income)	\$ (16,594)	\$ 93,294	\$ (158,901)	(82,201)
<b>General revenues:</b>				
Interest				21,131
Miscellaneous				14,900
Violations income				197,188
Total general revenues				233,219
Change in net assets				315,420
Net assets - beginning				789,238
Net assets - ending				\$ 1,104,658

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2007  
With Comparative Totals for December 31, 2006

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	
			2007	2006
Current assets:				
Cash	\$ 568,015	\$ 197,471	\$ 765,486	\$ 572,303
Due from other funds	115,871	14,642	130,513	45,199
Total current assets	683,886	212,113	895,999	617,502
Restricted assets:				
Cash	668,384	-	668,384	503,162
Total assets	\$ 1,352,270	\$ 212,113	\$ 1,564,383	\$ 1,120,664
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	\$ 295	\$ 158	\$ 453	\$ 478
Due to other agencies	50,838	-	50,838	48,559
Total current liabilities payable from current assets	51,133	158	51,291	49,037
FUND BALANCES				
Fund balance:				
Reserved	668,384	-	668,384	503,162
Unreserved	632,753	211,955	844,708	568,465
Total fund balance	1,301,137	211,955	1,513,092	1,071,627
Total liabilities and fund balances	\$ 1,352,270	\$ 212,113		
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,205			30,692	33,031
Net assets of government activities			\$ 1,543,784	\$ 1,104,658

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2007

With Comparative Totals for Year Ended December 31, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2007	2006
<b>Revenues:</b>				
Charges for services	\$ 107,395	\$ 194,639	\$ 302,034	\$ 182,432
Court costs and fines	236,507	-	236,507	197,188
Interest income	19,847	6,373	26,220	21,131
Miscellaneous	8,327	3,220	11,547	14,900
Judicial building collections	228,640	-	228,640	222,170
Total revenues	600,716	204,232	804,948	637,821
<b>Expenditures:</b>				
Current:				
Bank service charges	429	246	675	394
Dues and subscriptions	4,023	2,253	6,276	5,185
Equipment lease	400	-	400	431
Maintenance	3,788	360	4,148	1,201
Miscellaneous	7,469	3,865	11,334	7,761
Office expense	17,429	977	18,406	20,261
Professional development and training	52,780	25	52,805	36,111
Rent	63,269	-	63,269	63,269
Retirement	22,924	-	22,924	20,656
Salaries	47,550	113,791	161,341	145,475
Taxes - payroll	3,674	-	3,674	3,203
Telephone	3,104	1,260	4,364	4,259
Capital outlay	12,462	1,405	13,867	9,964
Total expenditures	239,301	124,182	363,483	318,170
Excess (deficiency) of revenues over expenditures	361,415	80,050	441,465	319,651
Fund balances - beginning	939,722	131,905	1,071,627	751,976
Fund balances - ending	<u>\$ 1,301,137</u>	<u>\$ 211,955</u>	<u>\$ 1,513,092</u>	<u>\$ 1,071,627</u>

(continued on next page)



CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2007

With Comparative Totals for Year Ended December 31, 2006

	Total Governmental Funds	
	2007	2006
Reconciliation of the change in fund balances-total governmental funds to the change in net assets of governmental activities:		
Net change in fund balances-total governmental funds	\$ 441,465	\$ 319,651
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	13,866	9,964
Depreciation expense	(15,205)	(14,195)
Change in net assets of governmental activities	\$ 439,126	\$ 315,420

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS  
December 31, 2007 and 2006

ASSETS	Agency Funds	
	2007	2006
Cash	\$ 437,943	\$ 382,529
Receivables for civil cases	<u>12,782</u>	<u>14,588</u>
Total assets	<u>\$ 450,725</u>	<u>\$ 397,117</u>
LIABILITIES		
Accounts payable	\$ 12,585	\$ 13,567
Deposits held for disposition of civil cases	307,626	338,351
Due to other funds	<u>130,514</u>	<u>45,199</u>
Total liabilities	<u>\$ 450,725</u>	<u>\$ 397,117</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

1. Summary of Significant Accounting Policies

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City).

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City Court applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City Court does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid doubling up revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services; (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

## FIDUCIARY FUND TYPES

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

### C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

### D. Budgets and Budgetary Accounting

The Comptroller prepares a proposed budget and submits it to the City Court Judges prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Judges. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the City Court Judges.

E. Cash

The City Court's cash is considered to be cash on hand and demand deposits.

F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 2.

G. Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 40 years
Improvements, other than buildings	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

2. Compliance and Accountability

Deposit laws and regulations (restricted assets):

Judicial Building Fund - In accordance with Louisiana Statute RS 13:1899, the City Court collects a filing fee and places it in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13:996, the City Court collects from every person filing any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

3. Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City Court's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the City Court's name.

4. Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Cash deposits:		
Judicial building fund	\$ 667,383	\$ 502,161
Judicial expense fund	<u>1,001</u>	<u>1,001</u>
Total restricted cash	<u>\$ 668,384</u>	<u>\$ 503,162</u>

5. Capital Assets

Capital asset activity for the year ending December 31, 2007, was as follows:

	Balance <u>1/1/07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/07</u>
Governmental activities:				
Equipment	\$ 323,086	\$ 13,866	\$ -	\$ 336,952
Furniture and fixtures	<u>15,073</u>	<u>-</u>	<u>-</u>	<u>15,073</u>
Totals at historical cost	<u>338,159</u>	<u>13,866</u>	<u>-</u>	<u>352,025</u>
Less accumulated depreciation:				
Equipment	293,071	15,820	-	308,891
Furniture and fixtures	<u>12,057</u>	<u>385</u>	<u>-</u>	<u>12,442</u>
Total accumulated depreciation	<u>305,128</u>	<u>16,205</u>	<u>-</u>	<u>321,333</u>
Governmental activities capital assets, net	<u>\$ 33,031</u>	<u>\$ (2,339)</u>	<u>\$ -</u>	<u>\$ 30,692</u>

Capital asset activity for the year ending December 31, 2006, was as follows:

	Balance <u>1/1/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/06</u>
Governmental activities:				
Equipment	\$ 315,189	\$ 7,897	\$ -	\$ 323,086
Furniture and fixtures	<u>13,006</u>	<u>2,067</u>	<u>-</u>	<u>15,073</u>
Totals at historical cost	<u>328,195</u>	<u>9,964</u>	<u>-</u>	<u>338,159</u>
Less accumulated depreciation:				
Equipment	279,556	13,515	-	293,071
Furniture and fixtures	<u>11,377</u>	<u>680</u>	<u>-</u>	<u>12,057</u>
Total accumulated depreciation	<u>290,933</u>	<u>14,195</u>	<u>-</u>	<u>305,128</u>
Governmental activities capital assets, net	<u>\$ 37,262</u>	<u>\$ (4,231)</u>	<u>\$ -</u>	<u>\$ 33,031</u>



6. Retirement Benefits

Louisiana State Employee' Retirement System (LASERS):

Plan description:

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

Funding policy:

The City Court Judges are required by Louisiana State Statute to contribute 11.5% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The employer rates for 2007, 2006 and 2005 were 20.4%, 19.1% and 19.1% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year fiscal year. The City Court's contributions to LASERS for the years ended December 31, 2007, 2006 and 2005 were \$22,476, \$20,656 and \$9,422, and were equal to the required contribution for the years.

7. Operating Leases

Operating lease - building:

The City Court of Lake Charles and the Housing Authority of the City of Lake Charles had a lease agreement for the year ended December 31, 2007. The City Court leased 13,181 square feet of the property located at 800 Bilbo Street, Lake Charles, Louisiana from the Housing Authority. A sum of \$5,272 assessed as monthly rent and 70% of the utilities required for the operation of the building were paid quarterly by the City Court. As of October 1, 2003, the City of Lake Charles, Louisiana began to pay the utilities for the City Court. Total payments for the years ended December 31, 2007 and 2006 were \$63,269 and \$63,269.

8. Louisiana Revised Statutes Concerning Mandated Fees

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

9. Louisiana Revised Statute Concerning Forfeited Deposits

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2007

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - General Fund and Special Revenue Fund

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL  
 Years ended December 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 115,000	\$ 100,000	\$ 107,395	\$ 7,395
Court costs and fines	196,500	171,500	236,507	65,007
Interest income	14,500	20,000	19,847	(153)
Miscellaneous income	10,150	26,000	8,327	(17,673)
Judicial building collections	225,000	230,000	228,640	(1,360)
<b>Total revenues</b>	<b>561,150</b>	<b>547,500</b>	<b>600,716</b>	<b>53,216</b>
<b>Expenditures:</b>				
Bank service charges	166	400	429	(29)
Dues and subscriptions	4,000	4,000	4,023	(23)
Equipment lease	420	400	400	-
Maintenance	540	3,600	3,788	(188)
Miscellaneous	1,945	16,660	7,469	9,191
Office expense	17,215	18,340	17,429	911
Professional development and training	36,320	52,710	52,780	(70)
Rent	63,269	63,269	63,269	-
Retirement	20,500	22,450	22,924	(474)
Salaries	38,000	45,000	47,550	(2,550)
Taxes - payroll	3,200	3,500	3,674	(174)
Telephone	3,000	3,000	3,104	(104)
Capital outlay	10,000	-	12,462	(12,462)
<b>Total expenditures</b>	<b>198,575</b>	<b>233,329</b>	<b>239,301</b>	<b>(5,972)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>362,575</b>	<b>314,171</b>	<b>361,415</b>	<b>47,244</b>
Fund balances - beginning	939,722	939,722	939,722	-
Fund balances - ending	<u>\$ 1,302,297</u>	<u>\$ 1,253,893</u>	<u>\$ 1,301,137</u>	<u>\$ 47,244</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL  
 Years ended December 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 115,000	\$ 115,000	\$ 114,870	\$ (130)
Court costs and fines	276,500	216,500	197,188	(19,312)
Interest income	4,500	14,500	14,520	20
Miscellaneous income	6,000	10,150	10,239	89
Judicial building collections	<u>25,000</u>	<u>225,000</u>	<u>222,170</u>	<u>(2,830)</u>
Total revenues	<u>427,000</u>	<u>581,150</u>	<u>558,987</u>	<u>(22,163)</u>
<b>Expenditures:</b>				
Bank service charges	160	166	163	3
Dues and subscriptions	3,000	4,000	3,908	92
Equipment lease	400	420	431	(11)
Maintenance	650	540	532	8
Miscellaneous	8,927	1,945	1,902	43
Office expense	35,832	17,215	18,117	(902)
Professional development and training	<u>30,920</u>	<u>36,100</u>	<u>36,111</u>	<u>(11)</u>
Rent	63,269	63,269	63,269	-
Retirement	10,000	20,500	20,656	(156)
Salaries	20,000	38,000	37,328	672
Taxes - payroll	1,500	3,200	3,203	(3)
Telephone	5,000	3,000	2,951	49
Capital outlay	-	10,000	9,964	36
Total expenditures	<u>179,658</u>	<u>198,355</u>	<u>198,535</u>	<u>(180)</u>
Excess (deficiency) of revenues over expenditures	247,342	382,795	360,452	(22,343)
Fund balances - beginning	<u>579,270</u>	<u>579,270</u>	<u>579,270</u>	-
Fund balances - ending	<u>\$ 826,612</u>	<u>\$ 962,065</u>	<u>\$ 939,722</u>	<u>\$ (22,343)</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL  
 Years Ended December 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 70,000	\$ 194,000	\$ 194,639	\$ 639
Interest income	6,500	6,500	6,373	(127)
Miscellaneous	4,350	3,025	3,220	195
Total revenues	<u>80,850</u>	<u>203,525</u>	<u>204,232</u>	<u>707</u>
<b>Expenditures:</b>				
Bank service charges	230	230	246	(16)
Dues and subscriptions	1,400	2,200	2,253	(53)
Maintenance	650	360	360	-
Miscellaneous	1,430	3,800	3,865	(65)
Office expense	2,060	970	977	(7)
Professional development and training	25	25	25	-
Salaries	103,992	113,392	113,791	(399)
Telephone	950	1,200	1,260	(60)
Capital outlay	-	-	1,405	(1,405)
Total expenditures	<u>110,737</u>	<u>122,177</u>	<u>124,182</u>	<u>(2,005)</u>
Excess (deficiency) of revenues over expenditures	(29,887)	81,348	80,050	(1,298)
Fund balances - beginning	<u>131,905</u>	<u>131,905</u>	<u>131,905</u>	-
Fund balances - ending	<u>\$ 102,018</u>	<u>\$ 213,253</u>	<u>\$ 211,955</u>	<u>\$ (1,298)</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL  
 Years Ended December 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 70,000	\$ 70,000	\$ 67,562	\$ (2,438)
Interest income	6,000	6,500	6,611	111
Miscellaneous	4,000	4,650	4,661	11
Total revenues	<u>80,000</u>	<u>81,150</u>	<u>78,834</u>	<u>(2,316)</u>
<b>Expenditures:</b>				
Bank service charges	250	230	231	(1)
Dues and subscriptions	1,400	1,300	1,277	23
Maintenance	600	650	668	(18)
Miscellaneous	850	5,830	5,858	(28)
Office expense	2,026	2,060	2,144	(84)
Salaries	103,992	103,992	108,148	(4,156)
Telephone	1,500	950	1,308	(358)
Capital outlay	-	-	-	-
Total expenditures	<u>110,618</u>	<u>115,012</u>	<u>119,634</u>	<u>(4,622)</u>
Excess (deficiency) of revenues over expenditures	(30,618)	(33,862)	(40,800)	(6,938)
Fund balances - beginning	<u>172,706</u>	<u>172,706</u>	<u>172,706</u>	-
Fund balances - ending	<u>\$ 142,088</u>	<u>\$ 138,844</u>	<u>\$ 131,906</u>	<u>\$ (6,938)</u>

# McELROY, QUIRK & BURCH

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## 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

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court's internal control over financial reporting as a basis for designing our audit 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 City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court's internal control over financial reporting.



Our consideration of 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 City Court'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 City Court's financial statements that is more than inconsequential will not be prevented or detected by the City Court's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 07-01, and 07-02.

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 City Court's internal control.

Our consideration of 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 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 07-01 and 07-02 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Court Judges, management, state awarding agencies, pass-through entities, others within the entity, and the Legislative Auditor of the State of Louisiana 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.

*Mr. Elroy Quirk & Busch*

Lake Charles, Louisiana

June 20, 2008

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2007

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2007 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses  Yes  No

Other conditions  Yes  No

Compliance

Compliance material to financial statements  Yes  No

(continued on next page)

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2007  
(Continued)

Section II - Financial Statement Findings

2007-01

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

This condition was also reported as a result of the prior year's audit.

Response: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2007  
(Continued)

2007-02

**Criteria:** The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of the system of internal control over financial reporting.

**Condition:** In our judgment, City Court's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

**Effect:** Material misstatements in financial statements could go undetected.

**Recommendation:** In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

**Response:** We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

CITY COURT OF  
LAKE CHARLES, LOUISIANAOTHER INFORMATION AND RECOMMENDATIONS  
Year Ended December 31, 2007

## 1. Fixed Asset Accountability

Over the years the City Court has acquired a number of fixed assets, however, there is no specific detailed listing of individual assets. It is recommended that a complete inventory of all City Court owned property and equipment be conducted to specifically identify all fixed assets of the City Court. This procedure would require an inventory process, as well as tagging and identifying fixed asset by type and location. Management would need to adopt a capitalization policy to determine what dollar level of assets are to be accounted for. This procedure would be important for two reasons: first for insurance purposes to insure that in the event of a loss, assets can be specifically identified and second to improve controls over accountability of all City Court owned assets. Additionally, once the inventory process is complete, it is recommended that a procedure be implemented to tag and identify new fixed assets as they are acquired to insure that the inventory process will not have to be repeated.

**Management response** - The City Court has begun to identify and tag all assets owned. The City Court will continue to take the necessary steps to complete fixed asset listing.

## 2. Accounting Manual

We noted that the City Court does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

**Management Response** - We concur with the recommendation. Documentation of daily procedures has begun. The process of drafting the accounting procedure manual has also begun, however, the manual will take some time to complete.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2007

2006-01

Condition: Effective internal control requires adequate segregation of duties among client personnel. Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year reportable condition 2007-01.

2006-02

Condition: Due to an increase in profit, deposits exceeded the protection of insurance and/or collateral by \$239,080.

Recommendation: Procedures should be put into place to insure that adequate deposit insurance and collateral pledged by the fiscal agent bank cover the amount of demand and time deposits as required by state law.

Current status: Resolved.