

2118

RECEIVED
LEGISLATIVE AUDITOR
05 JUL 17 PM 1:22

**CITY COURT OF
LAKE CHARLES, LOUISIANA
CITY OF LAKE CHARLES, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2005 AND 2004**

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 7/26/06

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2005

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	19-27
Required Supplementary Information:	
Budgetary Comparison Schedule	28
General Fund	29-30
Special Revenue Fund	31-32
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	33-34
Schedule of Findings and Questioned Costs	35-37
Appendix A	38-39
Schedule of Prior Year Findings and Questioned Costs	40-41

CITY COURT OF
LAKE CHARLES, LOUISIANA

December 31, 2005

JUDGES

Honorable John S. Hood

Honorable Thomas P. Quirk

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive
Orray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired

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

R:\01001-02100\01694-0\2005\FINANCIAL STATEMENTS\LC CITY COURT FR 2.DOC

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, 2005 and 2004, 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, 2005 and 2004, 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 29 and 32 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, 2006, 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.

Ms Elroy Quirk + Beech

Lake Charles, Louisiana
June 20, 2006

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, 2005 and 2004.

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 - as 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, 2005 and 2004, net assets changed as follows:

	<u>2005</u>	<u>2004</u>
Beginning net assets	\$ 563,124	\$ 456,696
Increase in net assets	<u>226,054</u>	<u>106,428</u>
Ending net assets	\$ <u>789,178</u>	\$ <u>563,124</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, 2005 and 2004 were \$9,762 and \$10,496, 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 is also identifies how much each function draws from the general revenues or it is self-financing through fees. Some of the individual line item revenues reported for each function are:

Administration (general government)

Fees earned from court costs on civil suits filed and violation tickets paid

Judicial

Fees earned through civil suits filed to pay for Judges' salary/retirement

Judicial Building

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

	Functions/Programs			Totals	
	Administration	Judicial	Judicial Building	2005	2004
Expenses:					
Salaries and benefits	\$ 19,292	\$ 113,414	\$ -	\$ 132,706	\$ 135,599
Materials and supplies	40,907	2,567	-	43,474	42,923
Professional development and training	18,267	12,978	-	31,245	21,624
Rent	-	-	63,269	63,269	63,269
Other expenses	20,077	2,337	-	22,414	15,726
Depreciation	12,347	2,084	-	14,431	11,581
Total expenses	110,890	133,380	63,269	307,539	290,722
Program revenues:					
Charges for services	107,585	86,122	-	193,707	176,323
Judicial building collections	-	-	204,640	204,640	133,390
General revenues				135,306	87,437
Total revenues				533,653	397,150
Change in net assets				\$ 226,114	\$ 106,428

THE CITY COURT'S FUNDS

The fund balance of the City Court's general fund and special revenue fund increased by \$221,945 during the year ended December 31, 2005. 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 2005.

The following schedule presents a summary of the general and special revenue funds and expenditures for the years ended December 31, 2005 and 2004. Also presented on the schedules is the amount and percentage of increase or decrease from amounts for the year ended December 31, 2004.

	Totals		Change from 2004	%
	2005	2004		
Revenues:				
Charge for services	\$ 193,707	\$ 176,323	\$ 17,384	9.9%
Court cost and fines	114,516	80,965	33,551	41.4%
Interest income	9,358	2,834	6,524	230.2%
Miscellaneous income	11,432	3,637	7,795	214.3%
Judicial building collections	<u>204,640</u>	<u>133,390</u>	<u>71,250</u>	<u>53.4%</u>
Total revenues	<u>\$ 533,653</u>	<u>\$ 397,149</u>	<u>\$ 136,504</u>	<u>34.4%</u>

	Totals		Change from 2004	%
	2005	2004		
Expenditures:				
Bank service charges	\$ 395	\$ 849	\$ (454)	-53.5%
Dues and subscriptions	4,421	4,128	293	7.1%
Equipment lease	400	405	(5)	-1.2%
Maintenance	614	445	169	38.0%
Miscellaneous	13,051	7,595	5,456	71.8%
Office expense	39,054	38,795	258	0.7%
Professional development and training	31,245	21,623	9,622	44.5%
Rent	63,269	63,269	-	%
Retirement	9,422	8,580	842	9.8%
Salaries	123,284	127,019	(3,735)	-2.9%
Taxes-payroll	1,527	1,808	(281)	-15.5%
Telephone	6,426	4,625	1,801	38.9%
Capital outlay	<u>18,600</u>	<u>26,760</u>	<u>(8,160)</u>	<u>-30.5%</u>
Total expenditures	<u>\$ 311,708</u>	<u>\$ 305,901</u>	<u>\$ 5,806</u>	<u>1.9%</u>

*Miscellaneous expense increased due to the appraisal and proposal for the new building.

*Professional development and training increased due to more employees attending the annual clerks' convention.

SIGNIFICANT BUDGET VARIANCES

Over the course of the year, the City Court revised the general fund budget one time. This amendment increased budgeted revenues and expenditures by \$41,000 and \$9,600, respectively. A list of the major changes from the original budget and explanations for those changes are as follows:

Revenue:

\$7,000 charges for services: More services were being performed than was projected at the beginning of the year.

(\$18,000) court cost and fines: Not as many tickets were paid as projected at the beginning of the year.

\$52,000 judicial building revenue: More tickets were written than was estimated.

Expenses:

\$18,600 capital outlay: There were unforeseen expenditures during the year due to computer equipment failure and the upgrading of courtroom recording equipment.

(\$9,000) office expense: Due to the reclassification of assets purchased.

CAPITAL ASSETS

At the end of December 31, 2005 and 2004, the City Court had \$328,195 and \$309,595 in capital assets. City Court does not have infrastructure of assets to report. This represents a net increase of \$18,600 and \$26,760 over the year due to the purchase of recording equipment, a laptop, and a CPU.

	<u>2005</u>	<u>2004</u>
Equipment (i.e., computers, copy machine)	\$ 315,189	\$ 296,589
Furniture and fixtures (i.e., desks, chairs & filing cabinets)	<u>13,006</u>	<u>13,006</u>
	<u>\$ 328,195</u>	<u>\$ 309,595</u>

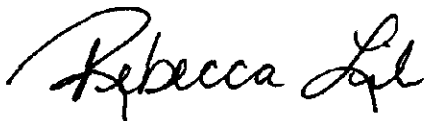
Difference (\$18,600) recording equipment for the courtrooms, a laptop, and a central processing unit were purchased.

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, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 460,465	\$ 302,405
Cash - restricted	1,001	153,662
Due from other funds	<u>18,400</u>	<u>38,918</u>
Total current assets	<u>479,866</u>	<u>494,985</u>
Noncurrent assets:		
Cash - restricted	317,506	86,990
Capital assets (net)	<u>37,262</u>	<u>33,093</u>
Total noncurrent assets	<u>354,768</u>	<u>120,083</u>
Total assets	<u>834,634</u>	<u>615,068</u>
Liabilities:		
Accounts payable	628	4,899
Due to other agencies	<u>44,768</u>	<u>47,045</u>
Total liabilities	<u>45,396</u>	<u>51,944</u>
Net assets		
Invested in capital assets, net of related debt	37,262	33,093
Unrestricted	<u>751,976</u>	<u>530,031</u>
Total net assets	<u>\$ 789,238</u>	<u>\$ 563,124</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, 2005

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
Expenses:				
Salaries and benefits	\$ 19,292	\$ 113,414	\$ -	\$ 132,706
Materials and supplies	40,907	2,567	-	43,474
Professional development and training	18,267	12,978	-	31,245
Rent	-	-	63,269	63,269
Other program expense	20,077	2,337	-	22,414
Depreciation	12,347	2,084	-	14,431
Total expenses	110,890	133,380	63,269	307,539
Program revenues:				
Charges for services	107,585	86,122	-	193,707
Judicial building collections	-	-	204,640	204,640
Net program expense (income)	\$ 3,305	\$ 47,258	\$ (141,371)	(90,808)
General revenues:				
Interest				9,358
Miscellaneous				11,432
Violations income				114,516
Total general revenues				135,306
Change in net assets				226,114
Net assets - beginning				563,124
Net assets - ending				\$ 789,238

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, 2004

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
Expenses:				
Salaries and benefits	\$ 23,027	\$ 112,572	\$ -	\$ 135,273
Materials and supplies	39,897	3,026	-	42,923
Professional development and training	14,066	7,558	-	21,624
Rent	-	-	63,269	63,269
Other program expense	14,141	1,585	-	15,726
Depreciation	8,675	2,906	-	11,581
Total expenses	99,806	127,647	63,269	290,722
Program revenues:				
Charges for services	84,675	91,648	-	176,323
Judicial building collections	-	-	133,390	133,390
Net program expense (income)	\$ 15,131	\$ 35,999	\$ (70,121)	(18,991)
General revenues:				
Interest				2,835
Miscellaneous				3,637
Violations income				80,965
Total general revenues				87,437
Change in net assets				106,428
Net assets - beginning				456,696
Net assets - ending				\$ 563,124

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2005
With Comparative Totals for December 31, 2004

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	
			2005	2004
Current assets:				
Cash	\$ 294,274	\$ 166,192	\$ 460,466	\$ 302,405
Due from other funds	11,886	6,514	18,400	38,918
Total current assets	306,160	172,706	478,866	341,323
Restricted assets:				
Cash	318,506	-	318,506	240,652
Total assets	\$ 624,666	\$ 172,706	\$ 797,372	\$ 581,975
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	\$ 628	\$ -	\$ 628	\$ 4,899
Due to other agencies	44,768	-	44,768	47,045
Total current liabilities payable from current assets	45,396	-	45,396	51,944
FUND BALANCES				
Unreserved fund balance	579,270	172,706	751,976	530,031
Total liabilities and fund balances	\$ 624,666	\$ 172,706		
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 \$14,431			37,262	33,093
Net assets of government activities			\$ 789,238	\$ 563,124

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, 2005

With Comparative Totals for Year Ended December 31, 2004

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2005	2004
Revenues:				
Charges for services	\$ 107,585	\$ 86,122	\$ 193,707	\$ 176,323
Court costs and fines	114,516	-	114,516	80,965
Interest income	4,612	4,746	9,358	2,835
Miscellaneous	9,140	2,292	11,432	3,637
Judicial building collections	204,640	-	204,640	133,390
Total revenues	<u>440,493</u>	<u>93,160</u>	<u>533,653</u>	<u>397,150</u>
Expenditures:				
Current:				
Accounting and legal	-	-	-	-
Bank service charges	167	228	395	849
Dues and subscriptions	3,004	1,417	4,421	4,128
Equipment lease	400	-	400	405
Maintenance	614	-	614	445
Miscellaneous	12,365	686	13,051	7,595
Office expense	37,904	1,150	39,054	38,795
Professional development and training	31,245	-	31,245	21,623
Rent	63,269	-	63,269	63,269
Retirement	9,422	-	9,422	8,580
Salaries	19,292	103,992	123,284	127,019
Taxes - payroll	1,527	-	1,527	1,808
Telephone	5,003	1,423	6,426	4,625
Capital outlay	18,600	-	18,600	26,760
Total expenditures	<u>202,812</u>	<u>108,896</u>	<u>311,708</u>	<u>305,901</u>
Excess (deficiency) of revenues over expenditures	237,681	(15,736)	221,945	91,249
Fund balances - beginning	<u>341,589</u>	<u>188,442</u>	<u>530,031</u>	<u>438,782</u>
Fund balances - ending	<u>\$ 579,270</u>	<u>\$ 172,706</u>	<u>\$ 751,976</u>	<u>\$ 530,031</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, 2005

With Comparative Totals for Year Ended December 31, 2004

	Total Governmental Funds	
	2005	2004
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	\$ 221,945	\$ 91,249
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	18,600	26,760
Depreciation expense	<u>(14,431)</u>	<u>(11,581)</u>
Change in net assets of governmental activities	<u>\$ 226,114</u>	<u>\$ 106,428</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS
December 31, 2005 and 2004

ASSETS	Agency Funds	
	2005	2004
Cash	\$ 353,095	\$ 369,603
Receivables for civil cases	<u>32,013</u>	<u>42,418</u>
Total assets	<u>\$ 385,108</u>	<u>\$ 412,021</u>
LIABILITIES		
Accounts payable	\$ 14,004	\$ 20,255
Deposits held for disposition of civil cases	352,704	352,848
Due to other funds	<u>18,400</u>	<u>38,918</u>
Total liabilities	<u>\$ 385,108</u>	<u>\$ 412,021</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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.

The City Court's deposits as of the balance sheet dates should be entirely covered by FDIC insurance or by pledged collateral held by the City Court's agent banks in the City Court's name. Under state law these deposits 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.

The deposits at December 31, 2005 are as follows:

December 31, 2005	<u>Demand Deposits</u>
Carrying Amount	\$ <u>265,822</u>
Bank Balances:	
a. Uncollateralized, including any securities held for the court but not in the court's name	\$ -
b. Uninsured and uncollateralized	<u>265,822</u>
Total bank balances	\$ <u>265,822</u>

4. Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2005 and 2004, are as follows:

	<u>2005</u>	<u>2004</u>
Cash deposits:		
Judicial building fund	\$ 317,505	\$ 86,990
Judicial expense fund	<u>1,001</u>	<u>153,662</u>
Total restricted cash	<u>\$ 318,506</u>	<u>\$ 240,652</u>

5. Capital Assets

Capital asset activity for the year ending December 31, 2005, was as follows:

	<u>Balance</u> <u>1/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/05</u>
Governmental activities:				
Equipment	\$ 296,589	\$ 18,600	\$ -	\$ 315,189
Furniture and fixtures	<u>13,006</u>	<u>-</u>	<u>-</u>	<u>13,006</u>
Totals at historical cost	<u>309,595</u>	<u>18,600</u>	<u>-</u>	<u>328,195</u>
Less accumulated depreciation:				
Equipment	265,510	14,046	-	279,556
Furniture and fixtures	<u>10,992</u>	<u>385</u>	<u>-</u>	<u>11,377</u>
Total accumulated depreciation	<u>276,502</u>	<u>14,431</u>	<u>-</u>	<u>290,933</u>
Governmental activities capital assets, net	<u>\$ 33,093</u>	<u>\$ 4,169</u>	<u>\$ -</u>	<u>\$ 37,262</u>

Capital asset activity for the year ending December 31, 2004, was as follows:

	<u>Balance</u> <u>1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/04</u>
Governmental activities:				
Equipment	\$ 270,474	\$ 26,115	\$ -	\$ 296,589
Furniture and fixtures	<u>12,361</u>	<u>645</u>	<u>-</u>	<u>13,006</u>
Totals at historical cost	<u>282,835</u>	<u>26,760</u>	<u>-</u>	<u>309,595</u>
Less accumulated depreciation:				
Equipment	254,314	11,196	-	265,510
Furniture and fixtures	<u>10,607</u>	<u>385</u>	<u>-</u>	<u>10,992</u>
Total accumulated depreciation	<u>264,921</u>	<u>11,581</u>	<u>-</u>	<u>276,502</u>
Governmental activities capital assets, net	<u>\$ 17,914</u>	<u>\$ 15,179</u>	<u>\$ -</u>	<u>\$ 33,093</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 2005, 2004 and 2003 were 19.1%, 17.8% and 15.8% 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, 2005, 2004 and 2003 were \$9,422, \$8,580 and \$8,555, 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, 2005. 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 \$5,272.40 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, 2005 and 2004 were \$63,269 and \$63,269, of which \$-0- and \$-0- was payable at year end.

Operating lease - copier:

The City Court of Lake Charles leased copiers with LA Office Systems and Best Copier Services. Monthly payments for the years ended December 31, 2005 and 2004 totaled \$-0- and \$-0-.

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, 2005

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, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 100,000	\$ 107,000	\$ 107,585	\$ 585
Court costs and fines	130,000	112,000	114,516	2,516
Interest income	4,000	4,000	4,612	612
Miscellaneous income	5,500	5,500	9,140	3,640
Judicial building collections	150,000	202,000	204,640	2,640
Total revenues	<u>389,500</u>	<u>430,500</u>	<u>440,493</u>	<u>9,993</u>
Expenditures:				
Bank service charges	220	220	167	53
Dues and subscriptions	2,800	2,800	3,004	(204)
Equipment lease	367	367	400	(33)
Maintenance	700	700	614	86
Miscellaneous	12,100	12,100	12,365	(265)
Office expense	47,193	38,193	37,904	289
Professional development and training	31,120	31,120	31,245	(125)
Rent	63,269	63,269	63,269	-
Retirement	9,500	9,500	9,422	78
Salaries	20,000	20,000	19,292	708
Taxes - payroll	1,500	1,500	1,527	(27)
Telephone	5,000	5,000	5,003	(3)
Capital outlay	-	18,600	18,600	-
Total expenditures	<u>193,769</u>	<u>203,369</u>	<u>202,812</u>	<u>557</u>
Excess (deficiency) of revenues over expenditures	195,731	227,131	237,681	10,550
Fund balances - beginning	<u>341,589</u>	<u>341,589</u>	<u>341,589</u>	<u>-</u>
Fund balances - ending	<u>\$ 537,320</u>	<u>\$ 568,720</u>	<u>\$ 579,270</u>	<u>\$ 10,550</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, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 100,000	\$ 85,000	\$ 84,675	\$ (325)
Court costs and fines	92,000	82,000	80,965	(1,035)
Interest income	3,000	3,000	1,085	(1,915)
Miscellaneous income	4,800	4,800	3,602	(1,198)
Judicial building collections	150,000	125,000	133,390	8,390
Total revenues	<u>349,800</u>	<u>299,800</u>	<u>303,717</u>	<u>3,917</u>
Expenditures:				
Accounting and legal	1,000	1,000	-	1,000
Bank service charges	620	620	621	(1)
Dues and subscriptions	2,000	2,000	2,917	(917)
Equipment lease	400	400	405	(5)
Maintenance	700	700	445	255
Miscellaneous	6,740	6,740	7,215	(475)
Office expense	35,140	35,140	36,980	(1,840)
Professional development and training	32,600	32,600	21,623	10,977
Rent	63,269	63,269	63,269	-
Retirement	8,000	8,000	8,580	(580)
Salaries	16,200	16,200	23,027	(6,827)
Taxes - payroll	2,000	2,000	1,808	192
Telephone	5,200	5,200	3,647	1,553
Capital outlay	-	26,000	26,115	(115)
Total expenditures	<u>173,869</u>	<u>199,869</u>	<u>196,652</u>	<u>3,217</u>
Excess (deficiency) of revenues over expenditures	175,931	99,931	107,065	7,134
Fund balances - beginning	<u>234,524</u>	<u>234,524</u>	<u>234,524</u>	<u>-</u>
Fund balances - ending	<u>\$ 410,455</u>	<u>\$ 334,455</u>	<u>\$ 341,589</u>	<u>\$ 7,134</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 80,000	\$ 80,000	\$ 86,122	\$ 6,122
Interest income	4,500	4,500	4,746	246
Miscellaneous	2,000	2,000	2,292	292
Total revenues	<u>86,500</u>	<u>86,500</u>	<u>93,160</u>	<u>6,660</u>
Expenditures:				
Bank service charges	250	250	228	22
Dues and subscriptions	1,400	1,400	1,417	(17)
Miscellaneous	800	800	686	114
Office expense	1,126	1,126	1,150	(25)
Salaries	103,992	103,992	103,992	-
Telephone	1,400	1,400	1,423	(22)
Capital outlay	-	-	-	-
Total expenditures	<u>108,968</u>	<u>108,968</u>	<u>108,896</u>	<u>72</u>
Excess (deficiency) of revenues over expenditures	(22,468)	(22,468)	(15,736)	6,732
Fund balances - beginning	<u>188,442</u>	<u>188,442</u>	<u>188,442</u>	-
Fund balances - ending	<u>\$ 165,974</u>	<u>\$ 165,974</u>	<u>\$ 172,706</u>	<u>\$ 6,732</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, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 81,599	\$ 81,599	\$ 91,648	\$ 10,049
Interest income	683	683	1,750	1,067
Miscellaneous	-	-	35	35
Total revenues	<u>82,282</u>	<u>82,282</u>	<u>93,433</u>	<u>11,151</u>
Expenditures:				
Bank service charges	757	757	228	529
Dues and subscriptions	2,000	2,000	1,211	789
Miscellaneous	2,396	2,396	380	2,016
Office expense	1,511	1,511	1,815	(304)
Professional development and training	1,250	1,250	-	1,250
Salaries	103,992	103,992	103,992	-
Telephone	1,211	1,211	978	233
Capital outlay	-	-	645	(645)
Total expenditures	<u>113,117</u>	<u>113,117</u>	<u>109,249</u>	<u>(3,868)</u>
Excess (deficiency) of revenues over expenditures	(30,835)	(30,835)	(15,816)	15,019
Fund balances - beginning	<u>204,258</u>	<u>204,258</u>	<u>204,258</u>	<u>-</u>
Fund balances - ending	<u>\$ 173,423</u>	<u>\$ 173,423</u>	<u>\$ 188,442</u>	<u>\$ 15,019</u>

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive
Otray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired

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

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT 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 years ended December 31, 2005 and 2004, which collectively comprise the City Court's basic financial statements, and have issued our report thereon dated June 20, 2006. 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.

Compliance

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 that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-01, 2005-02 and 2005-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Other Information and Recommendations

We have also noted other matters involving internal control and its operations that are reported in Appendix A to this report.

This report is intended solely for the information and use of the City Court Judges, management, and state awarding agencies and pass-through entities. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Busch

Lake Charles, Louisiana
June 20, 2006

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2005, and have issued our report thereon dated June 20, 2006. 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, 2005 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	<u> X </u> No
Other conditions	<u> X </u> Yes	_____ No

Compliance

Compliance material to financial statements	_____ Yes	<u> X </u> No
---	-----------	-----------------

(continued on next page)

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005
(Continued)

Section II - Financial Statement Findings

2005-01

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, 2005
(Continued)

2005-02

Criteria: Annual reports generated by the City Court's database program do not reconcile with the monthly reports used for financial reporting purposes.

Condition: Analytical procedures utilized during the audit revealed that the total tickets paid were more than total tickets collected during the year. This assumption was proven to be false due to the way the database program is written. Whenever a ticket is paid, the database assumes that the ticket was paid in full. However, during the year, another agency collected partial payments and remitted these payments to the City Court. These partial payments inflated the annual totals for the year ended December 31, 2005.

Effect: Annual reports should reconcile to monthly reports. If there is no reconciliation there is a possibility for errors and incorrect payments to other agencies receiving portions of court costs.

Recommendation: The City Court's policy is to receive full payments only. We recommend that this policy be utilized and enforced.

Response: Management agrees with the recommendation; however, the partial payments collected were outside their control since it was done by another agency. The partial payments will still be collected in the future, but only for the outstanding partially paid tickets at December 31, 2004. All future tickets will be collected in full.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005
(Continued)

2005-03

Criteria: Under state law demand and time deposits 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.

Condition: Due to an increase in profit, deposits exceeded the protection of insurance and/or collateral by \$265,822.

Effect: \$265,822 of the City Court's demand deposits was not covered by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Recommendation: Procedures should be put into place to ensure 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.

Response: Management agrees with the recommendation. Procedures will be put into place to ensure that adequate deposit insurance and collateral pledged by the fiscal agent bank cover the total amount of demand and time deposits.

CITY COURT OF
LAKE CHARLES, LOUISIANAOTHER INFORMATION AND RECOMMENDATIONS
Year Ended December 31, 2005

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.

3. Cash Disbursement

The Civil Department handles all suits filed with the City Court and is accounted for as the City Court's agency fund. During the audit, we noted that several employees for the Civil Department have the ability to generate checks and that invoices and other documentation were often difficult to locate. Most of the checks issued are generated as a result of legal documents being processed or requesting the funds. As a result many of the original documents used to generate the checks are not cancelled. Also, many of the fees are simply to process the documents, therefore, no document supports an individual fee rather a fee was simply imposed. We recommend that all checks generated by the Civil Department be processed by the comptroller. This would result in fewer mistakes in the producing of checks as well as strengthening controls over cash disbursements. Furthermore, we suggest creating a check request memo for support of legal or other documents which cannot be cancelled. The memo can also be used to document fees imposed to process a suit. This would result in a centralization of accounting information and better documentation procedures.

Management Response - The City Court agrees with the recommendation and has taken steps to implement the additional documentation and centralization. The process required to properly implement the action plan will take some time to complete.

CITY COURT OF
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

2004-01

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 2005-1.

2004-02

Condition: Generally accepted accounting procedures require that all financial transactions be recorded in the accounting records and presented in the financial statements. During the audit, it was noted that one particular fee collected by the City Court was collected and accounted for by a manual ledger. The transactions were not included in the annual financial statements but were reviewed monthly by management. It was determined that these transactions were immaterial in relation to the financial statements. However, audit adjustments were proposed and accepted by management and those are included in these financial statements.

Recommendation: All transactions, regardless of classification, should be recorded within the accounting records of the City Court.

Current status: The manual ledger is no longer used. The transactions are recorded in the accounting records and presented in the financial statements according to generally accepted accounting procedures.

2004-03

Condition: Annual reports generated by the City Court's database program do not reconcile with the monthly reports used for financial reporting purposes. Analytical procedures utilized during the audit revealed that the total tickets paid were more than total tickets collected during the year. This assumption was proven to be false due to the way the database program is written. Whenever a ticket is paid, the database assumes that the ticket was paid in full. However, during the year, another agency collected partial payments and remitted these payments to the City Court. These partial payments inflated the annual totals for the year ended December 31, 2004.

Recommendation: The City Court's policy is to receive full payments only. We recommend that this policy be utilized and enforced.

Current status: See current year reportable condition 2005-2.