

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
NEW ORLEANS, LOUISIANA**

DECEMBER 31, 2005

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 9-12-07

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PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITORS' REPORT

The Office of the Clerk of the
Criminal District Court – Orleans Parish
2700 Tulane Avenue
New Orleans, Louisiana

We were engaged to audit the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the Office of the Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court), a component unit of the City of New Orleans, as of and for the year ended December 31, 2005, which collectively comprise the Clerk of Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Clerk of Court.

Because of a lack of detailed accounting records for the years prior to 2005, we were unable to satisfy ourselves as to the accuracy of the ending balance of bonds payable of \$507,563 in the statement of fiduciary net assets as of December 31, 2005 by means of other auditing procedures. In addition, due to the fact that any overstatement or understatement in the bonds payable liability would increase or decrease the fund balance presented in the governmental fund balance sheet as well as net assets presented in the government wide statement of net assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

The management's discussion, analysis and budgetary comparison information 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* issued by the Comptroller General of the United States, we have also issued our report, dated July 26, 2007, on our consideration of the Clerk of Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Also, that report identified reportable conditions which are considered to be material weaknesses.

Pailet, Meunier and LeBlanc, L.L.P.

July 26, 2007
Metairie, LA

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**THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The Office of the Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court) management’s discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Clerk of Court’s financial activity, and identify changes in the Clerk of Court’s financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” and is intended to provide the financial results for the fiscal year ending December 31, 2005.

As required in GASB 3, the financial report is presented in the following order:

- Management’s Discussion and Analysis
- Basic Financial Statements
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
- Other Required Supplementary Information
- Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide a perspective of the Clerk of Court as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets, combines and consolidates governmental funds’ current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user’s analysis of the costs of various services.

FUND FINANCIAL STATEMENTS

The fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In additions, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

The General Fund, commonly referred to as the Expense Fund, is the only fund of the Clerk of Court. Louisiana Revised Statute, Section 1381.3 establishes the Clerk of Court’s Expense Fund for the purpose of accounting for all funds collected as clerk’s fees, interest on investments and any other funds generated by the Clerk of Court. Expenditures may be made from the Expense Fund to defray the operating costs of the Clerk of Court’s office.

FINANCIAL ANALYSIS OF THE CLERK OF COURT

ASSETS	
Current assets	\$ 42,283
Capital assets, net	<u>70,283</u>
Total assets	<u>\$ 112,566</u>
 LIABILITIES	
Current liabilities	\$ 16,760
Due to Evidence Fund	<u>204,247</u>
Total liabilities	<u>221,007</u>
 NET ASSETS	
Invested in capital assets	70,283
Unrestricted	<u>(178,724)</u>
Total net assets	<u>\$ (108,441)</u>
Total liabilities and net assets	<u>\$ 112,566</u>

As indicated by the statement above, total net assets are \$(108,441). Net assets can be separated into two categories: invested in capital assets and unrestricted net assets.

Net assets invested in capital assets are a combination of capital assets at original cost less accumulated depreciation. The original cost of capital assets is \$320,219, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$249,936.

The remaining unrestricted net assets are in a deficit position of \$108,441. The unrestricted net assets are an accumulation of prior years’ operating results. This balance is directly affected each year by the Clerk

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

of Court’s operating results.

RESULTS OF OPERATIONS

Program revenues	\$ 2,586,421
Program expenses	<u>2,874,724</u>
Decrease in net assets	<u>\$ (288,303)</u>

CAPITAL ASSETS

Furniture and equipment	\$ 320,219
Less: accumulated depreciation	<u>\$ (249,936)</u>
Net capital assets	<u>\$ 70,283</u>

At December 31, 2005, the Clerk of Court had \$320,219 invested in furniture and equipment.

Depreciation expense for the year is \$41,027 .

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The major factor affecting the budget is a reduction in clerk’s fees collected and a significant reduction in personnel by the Clerk of Court.

ORIGINAL VS. REVISED BUDGET

As required by state law, the Clerk of Court adopts the original budget for the office prior to the commencement of the fiscal year to which the budget applies.

The Clerk of Court did not amend its original budget during the 2005 fiscal year.

REVENUE BUDGET

The Clerk of Court’s actual general fund revenues of \$2,586,421 were less than the budget by \$285,244, a variance of about 10%.

EXPENDITURE BUDGET

The Clerk of Court’s actual general fund expenditures of \$2,874,724 were less than the budget by \$3,059 or less than 1%.

**THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

CONTRACTING THE CLERK OF COURT FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Clerk of Court's finances and demonstrate the Clerk of Court's accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Larry C. Cager, Chief Deputy Clerk, at Room 114, 2700 Tulane, New Orleans, Louisiana 70119.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS	
Cash and cash equivalents	\$ 42,283
Capital assets, net	<u>70,283</u>
Total Assets	<u>\$ 112,566</u>
LIABILITIES	
Accounts Payable	\$ 16,760
Due to Evidence Fund	<u>204,247</u>
Total Liabilities	<u>221,007</u>
NET ASSETS	
Invested in capital assets	70,283
Unrestricted	<u>(178,724)</u>
	<u>(108,441)</u>
Total Liabilities and Net Assets	<u>\$ 112,566</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

EXPENSES	
Salaries and fringe benefits	\$ 2,363,206
Election payroll expense	76,826
Professional services	24,986
Repairs and maintenance	29,218
Advertising	2,434
Automobile	5,180
Disaster clean-up costs	200,000
Insurance	1,425
Interest	587
Office supplies	9,844
Office expense	18,545
Printing	9,141
Postage	9,704
Telephone	26,238
Rent - facility	3,292
Rent - equipment	6,433
Convention, meeting and travel	14,340
Custodian fee-voter machines	2,400
Events	5,148
Miscellaneous	24,750
Depreciation	<u>41,027</u>
 Total Program Expenses	 <u>2,874,724</u>
 PROGRAM REVENUES	
Service fees	102,410
On-behalf payments	2,346,653
State reimbursement-election expenses	89,924
State grant	44,405
Interest	<u>3,029</u>
 Total Program Revenues	 <u>2,586,421</u>
 Change in Net Assets	 (288,303)
 Net assets - January 1, 2005	 <u>179,862</u>
 Net assets - December 31, 2005	 <u>\$ (108,441)</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
GOVERNMENTAL FUND
Balance Sheet
December 31, 2005

ASSETS	
Cash and cash equivalents	\$ <u>42,283</u>
Total Assets	<u>42,283</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	16,760
Due to Evidence Fund	<u>204,247</u>
Total Liabilities	221,007
Fund balance	
Undesignated	<u>(178,724)</u>
Total Fund Balance	<u>(178,724)</u>
Total Liabilities and Fund Balance	<u>\$ 42,283</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
Reconciliation of the Governmental Fund Balance
To the Statement of Net Assets
December 31, 2005

Total Fund Balance at December 31, 2005 - governmental fund	<u>\$ (178,724)</u>
Amounts reported for governmental activities in the statement of net assets are different because	
Cost of capital assets at December 31, 2005	<u>320,219</u>
Less: Accumulated depreciation as of December 31, 2005 Furniture and Equipment	<u>(249,936)</u>
Net Assets at December 31, 2005 - governmental activities	<u>\$ (108,441)</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
GENERAL FUND

Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended December 31, 2005

PROGRAM REVENUES

Service fees	\$ 102,410
On-behalf payments	2,346,653
State reimbursement-election expenses	89,924
State grant	44,405
Interest	<u>3,029</u>
 Total Revenues	 <u>2,586,421</u>

EXPENSES

Salaries and fringe benefits	2,363,206
Election payroll expense	76,826
Professional services	24,986
Repairs and maintenance	29,218
Advertising	2,434
Automobile	5,180
Disaster clean-up costs	200,000
Insurance	1,425
Interest	587
Office supplies	9,844
Office expense	18,545
Printing	9,141
Postage	9,704
Telephone	26,238
Rent - facility	3,292
Rent - equipment	6,433
Convention, meeting and travel	14,340
Custodian fee-voter machines	2,400
Events	5,148
Miscellaneous	24,750
Capital outlay	<u>6,647</u>
 Total Expenditures	 <u>2,840,344</u>

Net Change in Fund Balance (253,923)

Fund Balance - January 1, 2005 75,199

Fund Balance - December 31, 2005 \$ (178,724)

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
 CRIMINAL DISTRICT COURT - ORLEANS PARISH
 Reconciliation of the Governmental Fund
 Statement of Revenues, Expenditures and Change in Fund Balance
 to the Statement of Activities
 For the Year Ended December 31, 2005

Net Change in Fund Balance - Governmental Fund (Statement E) \$ (253,923)

Amounts Reported for governmental activities in the Statement of
 Activities are different because:

Capital outlays are reported in governmental funds as expenditures,
 however, in the Statement of Activities, the cost of those
 assets is allocated over their estimated useful lives as depreciation
 expense. This is the amount by which depreciation exceeds
 capital outlays in the current period:

Depreciation expense	(41,027)
Capital outlays	<u>6,647</u>

Change in net assets of governmental activities (Statement B) \$ (288,303)

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
Statement of Fiduciary Net Assets
December 31, 2005

ASSETS	
Cash and cash equivalents	\$ <u>507,563</u>
TOTAL ASSETS	\$ <u>507,563</u>
LIABILITIES	
Bonds Payable	\$ <u>507,563</u>
TOTAL LIABILITIES	\$ <u>507,563</u>

The notes to the financial statements are an integral part of this statement.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

INTRODUCTION

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the Office of the Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court) serves as ex-officio custodian of voting machines and performs other election duties. The clerk is also a member of the parish jury commission, which impanels persons for jury duty. The clerk is elected for a four-year term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Clerk of Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999.

B. REPORTING ENTITY

The Clerk of Court is an independently elected official; however, the Clerk of Court is fiscally dependent on the City of New Orleans (the City). The City maintains and operates the parish courthouse in which the Clerk of Court's office is located and provides funds for equipment and furniture of the Clerk of Court's office. Because the Clerk of Court is fiscally dependent on the City, the Clerk of Court was determined to be a component unit of the City, the financial reporting entity.

The accompanying financial statements present information only on the Clerk of Court's Expense Fund, as established by Louisiana Revised Statute, Section 1381.3 and on-behalf payments as described in the accompanying notes do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

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

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

Governmental Fund

The governmental fund accounts for all of the Clerk of Court's general activities. This fund focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, the fund balance represents the accumulated expendable resources which may be used to finance future period programs or operation of the Clerk of Court. The following is the Clerk of Court's governmental fund:

General Fund – The primary operating fund of the Clerk of Court. It accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Clerk of Court policy.

Fiduciary Fund - The fiduciary fund reporting focused on net assets and changes in net assets. The only fund accounted for in this category by the Clerk is the agency fund. The agency fund accounts for assets held by the Clerk as an agent for litigants held pending court action. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Consequently, the agency fund has no measurement focus, but uses the modified accrual basis of accounting.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Fund Financial Statements (FFS)

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Clerk of Court operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Clerk of Court considers all revenue available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The

THE OFFICE OF THE CLERK OF THE
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

governmental funds use the following practices in recording revenues and expenditures:

Revenues

Revenues from charges for services are recorded when earned. Expenditure-driven grants are recorded when the reimbursable expenditure has been incurred. Interest earnings are recorded when the investments have matured and the interest is available.

Expenditures

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

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Deferred Revenues

Deferred revenues arise when resources are received by the Clerk of Court before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the Clerk of Court has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Clerk of Court as a whole. These statements included all the financial activities of the clerk. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Program Revenues – Program revenues included in the Statement of Activities are derived directly from the Clerk of Court users as a fee for services; program revenues reduce the cost of the function to be financed from the Clerk of Court's general revenues.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

E. BUDGETS

The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Clerk of Court. All appropriations lapse at year-end. The amounts budgeted represent cash transactions, which are processed by the City of New Orleans, and are not included in the accompanying financial statements. For the general fund, the Clerk of Court has established a budget for service fees, court allocation-fines and costs revenues, state reimbursements, interest, evidence revenues and grant revenues. Budget amounts included in the accompanying budgetary comparison schedule included the original adopted budget. The Clerk of Court did not amend its original budget during the 2005 fiscal year.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the clerk may deposit funds in demand deposits interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Clerk of Court's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

H. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Clerk of Court maintains a threshold level of \$1,000 or more for capitalizing capital assets. Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed or public purposes, no salvage value is taken into consideration for depreciation purposed. All capital assets, other than land, are depreciated using the straight-line method over the following useful life:

<u>Description</u>	<u>Estimated Life</u>
Furniture and equipment	5 years

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

I. RESTRICTED NET ASSETS

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

J. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change. At December 31, 2005, there were no fund balance reservations or designations in the fund financial statements.

K. ESTIMATES

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

2. CASH AND EQUIVALENTS

At December 31, 2005, the Clerk of Court has cash and cash equivalents (book balances) totaling \$549,846 as follows:

Demand deposits	\$ 228,278
Interest-bearing demand deposits	-
Certificates of deposit	<u>321,568</u>
Total	<u>\$ 549,846</u>

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

At December 31, 2005, the Clerk of Court has \$ 558,318 in deposits (collected bank balances). These

THE OFFICE OF THE CLERK OF THE
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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

deposits are secured from risk by \$200,000 of federal deposit insurance and \$ 400,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 day of being notified by the Clerk of Court that the fiscal agent has failed to pay deposited funds upon demand.

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2005, are as follows:

<u>Government Activities</u>	<u>Balance</u> <u>January 1, 2005</u>	<u>Additions</u>	<u>Balance</u> <u>December 31,</u> <u>2005</u>
Furniture and equipment	\$ 313,572	\$ 6,647	\$ 320,219
Less accumulated depreciation:			
Furniture and equipment	<u>208,909</u>	<u>41,027</u>	<u>\$ 249,936</u>
Capital assets, net	<u>\$ 104,663</u>	<u>\$ 34,380</u>	<u>\$ 70,283</u>

4. LEASES

The Clerk of Court leases office equipment under operating leases expiring in various years through 2007.

The minimum annual commitments under non-cancelable operating leases are as follows:

Fiscal Year	
2006	\$ 7,011
2007	<u>\$ 2,114</u>
Total	<u>\$ 9,125</u>

5. LITIGATION AND CLAIMS

At December 31, 2005, the Clerk of Court is involved in five (5) lawsuits, which are not covered by insurance. The Clerk of Court's legal advisor has stated that he does not anticipate any significant adverse consequences; therefore, no amounts have been recorded as a liability in the financial statements at December 31, 2005.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005

6. ON-BEHALF PAYMENTS

Fringe benefits and salaries of the employees of the Clerk of Court are paid by City of New Orleans. As such, GASB Statement 24 requires that on-behalf payments for fringe benefits and salaries be recognized as revenue and expenditures. The amount of on-behalf payments reported in the financial statements of the Clerk of Court at December 31, 2005 is as follows:

Salaries	\$ 1,594,974
Fringe Benefits	745,601
Other Operating Costs	<u>27,772</u>
Total	<u>\$ 2,368,347</u>

7. HURRICANE DAMAGES

The Clerk of Court was adversely affected by Hurricane Katrina, which occurred on August 29, 2005. The Clerk of Court is currently addressing the damages incurred by the hurricane and is adjusting its business continuity plan. Damage to the City of New Orleans has had, and will continue to have, a negative effect on revenue, including funds collected as Clerk's fees.

8. SUBSEQUENT EVENTS

A new Clerk of Court was elected to office in May, 2006. Prior to and subsequent to the Clerk's assuming office, a number of personnel have resigned and/or were not retained. These personnel have been replaced and all of the Clerk's functions have been addressed.

THE OFFICE OF THE CLERK OF THE
 CRIMINAL DISTRICT COURT-ORLEANS PARISH
 GENERAL FUND
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual GAAP BASIS	Variance With Final Budget Positive (Negative)
Personal Services	\$ 2,716,152	\$ 2,716,152	\$ 2,440,032	\$ 276,120
Other Services	<u>155,513</u>	<u>155,513</u>	<u>393,665</u>	<u>(238,152)</u>
Total Expenditures	<u>\$ 2,871,665</u>	<u>\$ 2,871,665</u>	<u>\$ 2,833,697</u>	<u>\$ 37,968</u>
Revenues	<u>\$ 2,871,665</u>	<u>\$ 2,871,665</u>	<u>\$ 2,586,421</u>	<u>\$ (285,244)</u>
Total Revenues	<u>\$ 2,871,665</u>	<u>\$ 2,871,665</u>	<u>\$ 2,586,421</u>	<u>\$ (285,244)</u>

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Office of the Clerk of the
Criminal District Court - Orleans Parish
2700 Tulane Avenue
New Orleans, Louisiana

We were engaged to audit the financial statements of the Office of the Clerk of Court of the Criminal District Court – Orleans Parish (the Clerk of Court), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 26, 2007 . We were unable to express an opinion on the financial statements because we were unable to satisfy ourselves as to the accuracy of the ending balance of bonds payable of \$ 507,563, in the statement of fiduciary net assets, as of December 31, 2005.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the internal control over financial reporting and 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, of the reportable conditions described above, we consider items 05-02 to 05-05 to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 05-06 through 05-11.

We also noted additional matters that we reported to management of the Clerk of Court, in a separate letter dated July 26, 2007.

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

Parlet, Munnier and Le Blanc, L.L.P.

Metairie, LA
July 26, 2007

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

We were engaged to audit the financial statements of the Office of Clerk of the Criminal District Court – Orleans Parish (the Clerk of Court), a component unit of the City of New Orleans, as of December 31, 2005 as of and for the year then ended and have issued our report thereon dated July 26, 2007. We were unable to express an opinion on the financial statements because we were unable to satisfy ourselves as to the accuracy of the ending balance of bonds payable of \$507,563 in the statement of fiduciary net assets as of December 31, 2005.

SECTION I – SUMMARY OF AUDITOR'S RESULTS

- A. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements: Yes. Material weaknesses: Yes.
- B. Noncompliance which is material to the financial statements: Yes
- C. Reportable conditions in internal control over major programs: N/A.
Material weaknesses: N/A .
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-13: N/ A
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- I. A management letter was issued: Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

05-01 Disaster Continuity and Recovery Plan

Based upon the events that occurred subsequent to Hurricane Katrina, it is obvious that the Clerk did not have an adequate Disaster Continuity and Recovery Plan. We recommend that the Clerk create or review, update and communicate the plan to all personnel.

05-02 Bonds Payable

We were unable to express an opinion on the financial statements because we were unable to satisfy

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

ourselves as to the accuracy of the ending balance of bonds payable of \$507,563 in the statement of fiduciary net assets as of December 31, 2005.

We recommend that the Clerk perform an inventory of all outstanding bonds to determine the amount of verifiable bond liabilities and the amount of bond funds that should be forfeited. The Clerk should take the necessary action in accordance with State law to enable the office to reconcile the account monthly.

05-03 Evidence Room Funds Deposited

Ms. Butler, the previous Clerk of Court, deposited funds into an account without the proper court approval. We recommend that the Clerk provide the Court with the proper documentation to approve the deposits.

05-04 Credit Card Expenditures

Ms. Butler, the previous Clerk of Court, and her staff made numerous credit card purchases. Our tests of several credit card purchases indicate that these purchases did not have proper documentation of expenditures. In addition, credit card balances were not paid timely causing finance charges to be incurred.

We recommended that all charges made on the credit card be supported with source documentation and adequately documented with the business purpose for cash disbursement approval and general ledger coding purposes.

The current Clerk of Court, Arthur A. Morrell, has discontinued the use of all Clerk of Court credit cards.

05-05 Seized Money

We recommend that the Clerk perform a comprehensive review and assessment of its procedures and controls over the seized money evidence. We recommend that a comprehensive inventory be completed to determine funds that have been seized and not returned on closed cases. Seized money evidence determined to be eligible for disposition after the five-year period should be returned to the proper governing authority.

05-06 Remediation Contract

Ms. Butler, the previous Clerk of Court, entered into an \$8,000,000 contract with Bio-Defense to provide remediation services relating to damages caused by Hurricane Katrina. \$200,000 was paid to this company in December, 2005. Services performed were not detailed.

We recommend that continued action be taken to determine what services were performed as well as the reasonableness of the charges for those services. We also recommend that actions be taken to void and/or

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

renegotiate the contract.

05-07 Inventory of Capital Assets

In January 2007, the Clerk conducted an inventory of capital assets that were purchased from the Clerk's Expense Fund. We recommend that the Clerk tag capital assets at the time of purchase. Additionally, we recommend that the Clerk implement procedures to take a physical inventory of capital assets on an annual basis.

05-08 Clean Slate Program

Ms. Butler, the previous Clerk of Court, created a community outreach program. This Office may not have had the the legal authority to create this program. In addition, fees may have been paid by the attendees and there is no indication that fees paid, if any, were deposited into the Clerk's account.

We recommend that the legal position authorizing any similar event be appropriately documented prior to implementing any future program.

05-09 Current Audit not Completed Timely

The December 31, 2005 audited financial statements of the Clerk were not submitted to the Legislative Auditors within six (6) months after its fiscal year end. LSA-RS24:514 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end.

05-10 Budget Amendment

The budget was not amended to reflect variances as required. We recommend that procedures be implemented to compare revenues and expenditures to the budget and that the budget be amended as necessary.

05-11 Procedure Manual

We recommend that the Clerk perform a comprehensive review and assessment of the Clerk's policy and procedure manual.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION I – INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

04-01 Bond Payable

The predecessor auditor recommended that the Clerk perform procedures, by reviewing available cash bond records, to determine the amount of verifiable bond liabilities and the amount of bond liabilities which cannot be supported. The Clerk should take the necessary action in accordance with State law to enable the office to reconcile the account monthly.

Current Status - Unresolved. Refer to current year finding 05-02.

04-02 Inventory of Capital Assets

The predecessor auditor recommended that the Clerk implement procedures that require the Clerk to physically inventory capital assets annually and tag them at the time of purchase. Based on the results of such inventory, the Clerk's should adjust capital assets as needed.

Current Status - Partially Resolved, Refer to current year finding 05-07.

04-03 Bank Reconciliations

The predecessor auditor recommended that the Clerk require that bank reconciliations are prepared and approved timely on a monthly basis to ensure that cash recorded in the general ledger is correct and that effective internal controls are being maintained.

Current Status - Resolved.

04-04 Submission of Audit Report

The predecessor auditors stated that the December 31, 2004 and the December 31, 2003 audited financial statements of the Clerk were not submitted to the Legislative Auditors within six (6) months after its fiscal year end. LSA-RS24:514 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end.

The predecessor auditors recommended that the Clerk review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

Current Status - Unresolved. Refer to current year finding 05-09

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT – ORLEANS PARISH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

04-05 Salary Advances

The predecessor auditor recommended that the Clerk take the necessary steps to collect full reimbursement of all outstanding employee salary advance balances.

Current Status - Partially Resolved - Remaining amounts are deemed immaterial.

04-06 Non-Employee Expense Reimbursement

The predecessor auditor recommended that ineligible costs incurred due to reimbursement of a non-employee during the transition be returned to the Clerk's Expense Fund.

Current Status - Resolved - Remaining amounts deemed immaterial

04-07 Ineligible Costs

The predecessor auditor deemed that funds expended from the Clerk's Expense Fund on the costs of an inauguration ceremony held by the Clerk in January 2005 were ineligible and although, the potential total costs of this inauguration event were not considered material to the financial statements, recommended that the Clerk determine the total actual costs for the inauguration event and refund such amounts to the Clerk's Expense Fund.

Current Status - Resolved due to immateriality of funds and the Clerk referred to is no longer in office

04-08 Credit Card Charges

The predecessor auditor noted that certain credit card payments were not supported by original source documentation (invoice) and were not able to determine the business nature of these credit card charges because of the lack of adequate support. It was recommended that the Clerk limit the use of its credit card to out-of-town travel expenses, such as hotel, transportation, etc., and emergency purchases and that all other purchases of goods or services should be made utilizing the current purchasing system. All emergency purchases should be authorized by the Clerk and documented appropriately. They further recommend that all charges made on the credit card be supported with source documentation and adequately documented with the business purpose for cash disbursement approval and general ledger coding purposes.

Current Status - Unresolved. Refer to current year finding 05-04.

SECTION II – INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

Not Applicable.

THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION III - MANAGEMENT LETTER

See status of prior year management letter comments reported to management in a separate letter dated July 26, 2007

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

July 26, 2007

The Honorable Arthur A. Morrell
Clerk of the Criminal District Court – Orleans Parish
Room 114
2700 Tulane Avenue
New Orleans, Louisiana 70119

Dear Mr. Morrell:

We appreciated the opportunity to conduct your audit the period ending December 31, 2005. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of a new auditing standard, SAS 112: *Communicating Internal Control Related Matters*. We are implementing early compliance with this standard as the new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of your financial statements for period ending December 31, 2005, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

Bonds Payable

We were unable to express an opinion on the financial statements because we were unable to satisfy ourselves as to the accuracy of the ending balance of bonds payable of \$507,563 in the statement of fiduciary net assets as of December 31, 2005.

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The Honorable Arthur A. Morrell
Clerk of the Criminal District Court -- Orleans Parish
July 26, 2007
Page 2 of 3

We recommend that the Clerk perform an inventory of all outstanding bonds to determine the amount of verifiable bond liabilities and the amount of bond funds that should be forfeited. The Clerk should take the necessary action in accordance with State law to enable the office to reconcile the account monthly.

Evidence Room Funds Deposited

Ms. Butler, the previous Clerk of Court, deposited funds into an account without the proper court approval. We recommend that the Clerk provide the Court with the proper documentation to approve the deposits.

Credit Card Expenditures

Ms. Butler, the previous Clerk of Court, and her staff made numerous credit card purchases. Our tests of several credit card purchases indicate that these purchases did not have proper documentation of expenditures. In addition, credit card balances were not paid timely causing finance charges to be incurred.

We recommended that all charges made on the credit card be supported with source documentation and adequately documented with the business purpose for cash disbursement approval and general ledger coding purposes.

The current Clerk of Court, Arthur A. Morrell, has discontinued the use of all Clerk of Court credit cards.

Seized Money

We recommend that the Clerk perform a comprehensive review and assessment of its procedures and controls over the seized money evidence. We recommend that a comprehensive inventory be completed to determine funds that have been seized and not returned on closed cases. Seized money evidence determined to be eligible for disposition after the five-year period should be returned to the proper governing authority.

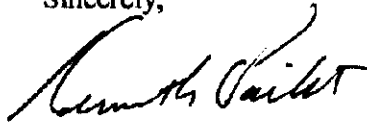
This written communication related to the significant deficiencies identified during this year's audit is intended solely for the information and use by your management, those charged with your organization's governance, others you deem appropriate within your organization, and any governmental authorities you need to share this information with. It is not intended for use 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.

The Honorable Arthur A. Morrell
Clerk of the Criminal District Court – Orleans Parish
July 26, 2007
Page 3 of 3

We are always available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss any options you have for remedying them if you would like to do so.

We appreciate the opportunity to conduct your organization's audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kenneth C. Pailet".

Kenneth C. Pailet

**THE OFFICE OF THE CLERK OF THE
CRIMINAL DISTRICT COURT - ORLEANS PARISH
CORRECTIVE ACTIONS REPORT
FOR THE YEAR ENDED DECEMBER 31,2005**

SECTION II - FINANCIAL STATEMENT FINDINGS

05-01 Disaster Continuity and Recovery Plan

The Office of Clerk of the Criminal District Court - Orleans Parish has created a plan with all necessary steps in the event of future Disaster Continuity and Recovery Plan. This plan was updated and communicated to all judicial personnel.

05-02 Bonds Payable

The Office of Clerk of the Criminal District Court - Orleans Parish has taken inventory of all outstanding bonds and we are in the process of verifying bonds liabilities and the amount of bond funds that should be forfeited. A system is in place to reconcile this account monthly according to State law.

05-03 Evidence Room Funds Deposited

The Office of Clerk of the Criminal District Court - Orleans Parish is currently awaiting on Courts ruling of legal determination on State Evidence Funds.

05-04 Credit Card Expenditures

The Office of Clerk of the Criminal District Court - Orleans Parish is in the process of receiving documents for credit card charges and all documents. The current Clerk of Court, Arthur A. Morrell, has discontinued the use of all Clerk of Court credit cards. This will alleviate any future problems.

05-05 Seized Money

The Office of Clerk of the Criminal District Court - Orleans Parish has a comprehensive review in process of all procedures and controls over the seized money evidence.

05-06 Remediation Contract

The Office of Clerk of the Criminal District Court – Orleans Parish in response to this contract as of February 9, 2007 Bio-Defense was paid \$200,000.00 by the previous Clerk Kimberly Williamson-Butler. Our office has not located any substantial evidence to support any work that was done. Micheal Darnell (1540 N. Broad Street, NOLA, 70119 504.945.0042) attorney for the Clerk's office is currently conducting an investigation into the billing and payments for this vendor.

05-07 Inventory of Capital Assets

The Office of Clerk of the Criminal District Court – Orleans Parish has inventoried and tagged all equipment and tagged all fixed assets. In addition an annual physical inventory of all capital assets has been implemented.

05-08 Clean Slate Program

The Office of Clerk of the Criminal District Court – Orleans Parish no longer practices the Clean Slate Program.

05-09 Current Audit not Completed Timely

The Office of Clerk of the Criminal District Court - Orleans Parish did not have the man power due to Hurricane Katrina and Infrastructure problems to complete and submit its financial statements in a timely manner.

05-10 Budget Amendment

The Office of Clerk of the Criminal District Court – Orleans Parish has implemented a current budget to reflect any and all variances as required.

05-11 Procedure Manual

The Office of Clerk of the Criminal District Court – Orleans Parish is currently in process of performing an updated comprehensive review and assessment of the Clerk's policy and procedure manual.