

**RUSTON CITY JUDGE'S OFFICE**

**FINANCIAL REPORT  
SEPTEMBER 30, 2018**

# RUSTON CITY JUDGE'S OFFICE

## FINANCIAL REPORT SEPTEMBER 30, 2018

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Danny Tatum  
Ruston City Judge's Office  
P.O. Box 1821  
Ruston, LA 71273-1821

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ruston City Judge's Office, a component unit of the City of Ruston, Louisiana, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Ruston City Judge's Office's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ruston City Judge's Office as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, budgetary comparison information on page 27, and the required schedules related to pension plans on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

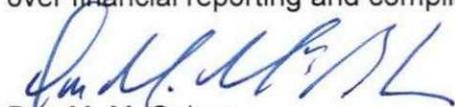
*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ruston City Judge's Office's basic financial statements. The supplemental schedule of compensation, benefits and other payments to the Ruston City Court Judge is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule of compensation, benefits and other payments to the Ruston City Court Judge is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedule of compensation, benefits and other payments to the Ruston City Judge is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated March 27, 2019, on my consideration of the Ruston City Judge's Office's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 in considering the Ruston City Judge's Office's internal control over financial reporting and compliance.



Don M. McGehee  
Certified Public Accountant  
March 27, 2019

**REQUIRED SUPPLEMENTAL INFORMATION**  
**Management's Discussion and Analysis**



## RUSTON CITY COURT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018

The discussion and analysis of the performance of the Ruston City Judge's Office provides an overview of the financial activities for the year ended September 30, 2018. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 7.

#### **Basic Financial Statements**

The basic financial statements include government-wide and fund financial statements. The government-wide statements consist of a Statement of Net Position and a Statement of Activities and provide information about the financial activities of the Office as a whole. The government-wide statements present a long-term view of the finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how services were financed in the short-term and what remains for future spending. The primary difference between the fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

The Judge's Office reports all of its financial operating activity as a single governmental activity (i.e., general fund), and uses a combined approach in presenting the fund financial statements and the government-wide statements by reconciling, through an adjustment column, the fund statement amounts to the government-wide statement amounts. The Judge's Office also reports information about monies being held by them as an agent for others in the fiduciary fund. The Judge's Office is responsible for ensuring that all assets held for others are distributed as ordered by the court and cannot use the assets held for others to finance its operations.

#### **Statement of Net Position and Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Judge's Office as a whole and about its activities in a way that helps answer one of the most important questions asked, "Is the Judge's Office, as a whole, better off or worse off as a result of the year's activities?" These statements report information about the Judge's Office 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 a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These two statements report the Judge's Office net position and changes in the net position. You can think of net position - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of the Judge's Office. Increases or decreases in net position can be an indicator of whether financial health is improving or deteriorating. The financial activity of all services provided by Judge's Office are reported in the Statement of Net Position and Statement of Activities. Expenses primarily include salaries and related benefits, and office expenses. Court costs and fees received from defendants and plaintiffs involved in cases before the court plus the on-behalf payments received from the City of Ruston and the State of Louisiana finance most of these activities.

### Government-Wide Financial Analysis

As noted above, net position may serve as a useful indicator of an entity's financial position. The net position of the Judge's Office increased \$228,061 in the current year. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the governmental activities of the Judge's Office to help explain this increase.

Table 1  
Net Position

	2018	2017	Increase (Decrease)	
			Amount	Percent
Current Assets	\$ 1,560,754	\$ 1,336,419	\$ 224,335	17 %
Capital Assets	478,388	474,536	3,852	1 %
Total Assets	<u>2,039,142</u>	<u>1,810,955</u>	<u>228,187</u>	13 %
Total Deferred Outflows	15,473	24,312	(8,839)	(36)%
Long-Term Liabilities	265,773	272,332	(6,559)	(2)%
Other Liabilities	6,882	6,437	445	7 %
Total Liabilities	<u>272,655</u>	<u>278,769</u>	<u>(6,114)</u>	(2)%
Total Deferred Inflows	3,057	5,656	(2,599)	(46)%
Net Position:				
Investment in Capital Assets	478,388	474,536	3,852	1 %
Unrestricted	<u>1,300,515</u>	<u>1,076,306</u>	<u>224,209</u>	21 %
Total Net Position	<u>\$ 1,778,903</u>	<u>\$ 1,550,842</u>	<u>\$ 228,061</u>	15 %

About 73% (\$1,300,515 of \$1,778,903) of total net position is unrestricted in 2018 compared to 69% (\$1,076,306 of \$1,550,842) in 2017. Unrestricted net position can be used to finance the day-to-day operations of the Judge's Office without constraints.

Table 2  
Change in Net Position

	2018	2017	Increase (Decrease)	
			Amount	Percent
<b>Program Revenues:</b>				
Court Costs and Fees	\$ 455,764	\$ 534,120	\$ (78,356)	(15)%
On-Behalf Revenue	522,553	507,195	15,358	3 %
Other Program Revenues	5,185	5,052	133	3 %
<b>General Revenues:</b>				
Miscellaneous	0	1,099	(1,099)	100 %
Interest Income	3,094	2,655	439	17 %
<b>Total Revenues</b>	<u>986,596</u>	<u>1,050,121</u>	<u>(63,525)</u>	<u>(6)%</u>
<b>Program Expenses</b>				
General Government-Judiciary	235,982	235,853	129	0.1 %
On-Behalf Expenses	522,553	507,195	15,358	3 %
<b>Total Expenses</b>	<u>758,535</u>	<u>743,048</u>	<u>15,487</u>	<u>2 %</u>
<b>Change in Net Position</b>	<u>\$ 228,061</u>	<u>\$ 307,073</u>	<u>\$ (79,012)</u>	<u>(26)%</u>

Court costs and fees revenues decreased about 15% (\$455,764 compared to \$534,120) from the prior year. Interest income increased about 17% (\$3,094 compared to \$2,655) from the prior year. General government expenses increased 0.1% (\$235,982 compared to \$235,853) from the prior year. The net effect of the differences resulted in a \$228,061 increase in net position for the year ended September 30, 2018 versus the \$307,073 increase in net position in the previous year.

### Fund Financial Statements

As of September 30, 2018, the general fund reported a fund balance of \$1,553,872, which is about 17% (\$1,553,872 compared to \$1,329,982) more than last year's fund balance. Less than 1% of current year fund balance is considered unspendable, that portion having been used for prepaid items (\$3,560). The remaining \$1,550,312 is unassigned. During the year ended September 30, 2018, court costs and fees revenue decreased, and interest income increased, as described above. On-behalf revenues increased 3% (\$522,553 compared to \$507,195). Expenditures, excluding the on-behalf amounts, increased about 19% (\$240,153 compared to \$201,540) from the prior year, primarily due to an increase in capital outlay of \$52,455 and a decrease in office expense of \$13,806.

### General Fund Budgetary Highlights

The Judge's Office amends its budget when there are unexpected differences between actual and anticipated revenues and/or expenditures. The final amended budget was adopted just prior to year end. The differences between the original and final amended budget was an increase of 6% (\$54,925) in revenues and a 2% (\$14,695) increase in expenditures. The change in budgeted revenues was primarily the result of a \$29,800 increase in court costs and fees, representing an 8% change, and a \$24,800 increase in on-behalf revenue, representing a 3% change. The change in budgeted expenses was primarily the result of an adjustment increasing on-behalf expenses from \$475,000 to \$499,800 (a \$24,800 increase), a \$15,052 decrease in office expense from \$58,600 to \$43,548, a \$4,651 increase in salaries from \$41,501 to \$46,152, and a \$4,583 increase in pension expense from \$24,000 to \$28,583. There were no other significant budget adjustments.

**Capital Assets**

In 2018, the Judge's Office purchased \$52,455 in capital assets. For the upcoming year ending September 30, 2019, the Judge's Office plans to purchase a new vehicle for probation and a new recording system for the courtroom. These purchases are included in the fiscal year 2019 budgeted capital expenditures line item for \$52,000. There are no plans to issue debt to finance the planned capital outlay for 2019 or any other future project.

**Currently Known Facts, Decisions, or Conditions**

We are not aware of any other facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date.

**Contacting the Judge's Office**

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Judge's Office and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ruston City Judge's Office at 401 N. Trenton Street, Ruston, LA 71270.

## **BASIC FINANCIAL STATEMENTS**

# RUSTON CITY JUDGE'S OFFICE

## GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION SEPTEMBER 30, 2018

	General Fund	Adjustments (Note 5)	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 1,541,511	\$	\$ 1,541,511
Due from Governmental Units	15,683		15,683
Prepaid Expenses	3,560		3,560
Capital Assets, Net	0	478,388	478,388
<b>TOTAL ASSETS</b>	<b>\$ 1,560,754</b>	<b>478,388</b>	<b>2,039,142</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
		15,473	15,473
<b>LIABILITIES</b>			
Accounts Payable	\$ 4,639		4,639
Accrued Liabilities	2,243		2,243
Long-Term Liabilities			
Pension Liability	0	265,773	265,773
<b>TOTAL LIABILITIES</b>	<b>6,882</b>	<b>265,773</b>	<b>272,655</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
		3,057	3,057
<b>FUND BALANCE/NET POSITION</b>			
<b>FUND BALANCE:</b>			
Nonspendable-Prepaid	3,560	(3,560)	0
Unassigned	1,550,312	(1,550,312)	0
<b>TOTAL FUND BALANCE</b>	<b>1,553,872</b>	<b>(1,553,872)</b>	<b>0</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,560,754</b>		
<b>NET POSITION:</b>			
Investment in Capital Assets		478,388	478,388
Unrestricted		1,300,515	1,300,515
<b>TOTAL NET POSITION</b>		<b>\$ 1,778,903</b>	<b>\$ 1,778,903</b>

See accompanying notes to financial statements.

## RUSTON CITY JUDGE'S OFFICE

### STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Capital Outlay	\$ 52,455	\$ (52,455)	\$ 0
General Government--Judiciary			
Audit and Accounting Fees	29,231		29,231
Auto Expense	139		139
Continuing Education	2,575		2,575
Contract Services	2,550		2,550
Depreciation	0	48,603	48,603
Dues and Subscriptions	1,654		1,654
Insurance	49,927		49,927
Judge Ad Hoc	1,000		1,000
Library Expense	12,109		12,109
Miscellaneous	347		347
Office Expense	39,957		39,957
Pension Expense	118,624	(319)	118,305
Repairs and Maintenance	2,154		2,154
Salaries	426,611		426,611
Taxes	9,701		9,701
Telephone	1,206		1,206
Travel	12,466		12,466
<b>TOTAL</b>	<u>762,706</u>	<u>(4,171)</u>	<u>758,535</u>
<b>PROGRAM REVENUES</b>			
Charges for Services			
Court Costs and Fees	455,764		455,764
Contributions			
City of Ruston	5,185		5,185
On-Behalf Revenue	522,553		522,553
<b>TOTAL</b>	<u>983,502</u>		<u>983,502</u>
<b>NET PROGRAM REVENUES</b>	<u>220,796</u>	<u>4,171</u>	<u>224,967</u>
<b>GENERAL REVENUES</b>			
Interest Income	3,094		3,094
<b>TOTAL GENERAL REVENUES</b>	<u>3,094</u>		<u>3,094</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	223,890	(223,890)	0
<b>CHANGE IN NET POSITION</b>		228,061	228,061
<b>FUND BALANCE/NET POSITION</b>			
BEGINNING OF THE YEAR	<u>1,329,982</u>	<u>220,860</u>	<u>1,550,842</u>
END OF THE YEAR	<u>\$ 1,553,872</u>	<u>\$ 225,031</u>	<u>\$ 1,778,903</u>

See accompanying notes to financial statements.

# RUSTON CITY JUDGE'S OFFICE

## STATEMENT OF FIDUCIARY NET POSITION SEPTEMBER 30, 2018

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>1,404,823</u>
<b>TOTAL ASSETS</b>	<u>1,404,823</u>
<b>LIABILITIES</b>	
Held for Others	<u>1,404,823</u>
<b>TOTAL LIABILITIES</b>	<u>1,404,823</u>
<b>NET POSITION</b>	\$ <u>          0</u>

See accompanying notes to financial statements.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

The Ruston City Judge's Office was created on July 8, 1926, under the provisions of Act 157 of the Louisiana Legislature Summer Session. It has territorial jurisdiction extending throughout all of Lincoln Parish, Louisiana. There is one elected judge. The Judge's Office receives court costs and fees for services rendered on civil and criminal cases, in accordance with state law.

The accompanying basic financial statements of the Ruston City Judge's Office are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements (*Statements of Interpretations*).

The more significant accounting policies used by the Judge's Office are discussed below:

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Ruston City Judge's Office is fiscally dependent on the City of Ruston for office space, courtrooms, related utility costs, and providing the primary funding of salary costs. Because the Judge's Office is fiscally dependent on the City, the Judge's Office was determined to be a component unit of the City of Ruston. For the purposes of this financial report this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

#### **B. Basic Financial Statements**

The basic financial statements of the Ruston City Judge's Office include both government-wide (reporting the Judge's Office as a whole) and fund financial statements (reporting each individual fund of the Judge's Office). Since the Judge's Office is engaged in a single government program the government-wide and fund financial statements have been presented in a combined format using an adjustment column to reconcile the fund statements to the government-wide statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the Ruston City Judge's Office are classified as governmental activities.

#### **C. Fund Accounting**

The Judge's Office uses the fund accounting method to maintain its financial records. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The following funds are used by the Judge's Office:

##### **Governmental Funds**

Governmental funds account for all or most of the court's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Ruston City Judge's Office.

The Judge's Office uses one fund, the **General Fund**, to account for all financial resources, except those required to be accounted for in other funds. The General Fund resources are available for any purpose provided they are expended or transferred in accordance with state and federal laws and according to the policy of the Judge's Office.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Fiduciary Funds**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support programs of the Judge's Office. The only funds accounted for in this category by the Judge's Office are agency funds. The reporting focus is on net position and changes in net position and are reported using the accrual basis of accounting. Since these assets are being held for third parties, these funds are not incorporated into the government-wide statements.

#### **D. Measurement Focus/Basis of Accounting**

##### **Fund Financial Statements**

The amounts reflected in the general fund financial statements and agency fund statement are presented 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 the sources and uses of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in the general fund financial statements and agency fund statement 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 measurable and available). Measurable means the amount of the transaction can be determined and available means the amount of the transaction is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Judge's Office considers all revenues available if they are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

##### **Government-Wide Financial Statements**

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

**Program Revenues** - Program revenues included in the column labeled Statement of Activities are derived directly from court defendants and plaintiffs as a fee for services and from on-behalf payments made by other governmental units for salaries and benefits of employees of the Judge's Office; program revenues reduce the net cost of the function to be financed from other sources of the court's general revenues.

#### **E. Government-Wide Net Position**

Government-wide net position is divided into three components:

Net Investment in Capital Assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows or resources less deferred inflows of resources related to those assets.

Restricted Net Position - consist of assets that are restricted by creditors of the Judge's Office, by state enabling legislation, by grantors, and other contributors.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted - all other net position is reported in this category.

#### F. Governmental Fund Balance

In the governmental fund financial statements, fund balances are classified to describe the relative strength of the spending constraints placed on the purposes for which resources can be used. These classifications are as follows:

Nonspendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form (such as prepaids) or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - amounts that can be used only for specific purposes determined by formal action from the Judge.

Assigned Fund Balance - amounts that are designated by the Judge for a particular purpose.

Unassigned Fund Balance - all amounts not included in other spendable classifications.

#### G. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the policy used by the Judge's Office is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the policy used by the Judge's Office is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-- committed and then assigned fund balances before using unassigned fund balances.

#### H. Budgetary Practices

The Judge's Office prepares an operating budget on its General Fund for its years ended September 30. Budgetary data is prepared based on prior year actual operating revenues and expenditures and expected differences between actual and anticipated revenues and expenditures. It is monitored by management and amended throughout the year as necessary. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The Judge's Office performs only a custodial function in the case of agency funds and therefore a budget for these funds is not appropriate.

The 2018 general fund budget was authorized by the Judge, made available for public inspection at the Judge's Office, and adopted by the Judge on September 15, 2017. The budget was legally amended prior to year end by the Judge.

#### I. Cash

Cash on hand, demand deposits, and time deposits with original maturities of three months or less from the date of acquisition are reported as cash. Time deposits with original maturities in excess of three months from the date of acquisition are reported as certificates of deposit. Bank deposits (or 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 or exceed the amount on deposit with the fiscal agent. Pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and certificates of deposit are carried at cost which approximates market value.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources result from the delayed recognition of expenditures or revenues, respectively.

#### K. Prepaid Expenses

Payments made for expenses that will benefit periods beyond the fiscal period incurred are recorded as prepaid items in the asset section of the balance sheet and expensed as the related benefit is realized.

#### L. Capital Assets - Governmental-Wide Financial Statements

Capital assets, with an original cost of \$500 or more, are capitalized at cost. Salvage value is estimated to be 5% of historical cost on some assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Equipment, and Software	5-10 years
Buildings and Improvements	20-25 years

#### M. Vacation and Sick Leave

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expenses, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS), and additions to/deductions from LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - CASH

At September 30, 2018, the Judge's Office has under its control general fund cash and fiduciary fund cash totaling \$2,946,334 (book balances). The Judge's collected balances with financial institutions at September 30, 2018, is \$2,974,947. These deposits were secured from risk by \$750,000 of federal deposit insurance and \$2,224,947 of pledged securities.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 2 - CASH (CONTINUED)

The pledged securities are held by the custodial bank in the name of the fiscal agent bank. They meet the deposit collateralization requirements of LSA-R.S. 39:1229, which require the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Judge's Office that the fiscal agent has failed to pay deposited funds upon demand. However, the deposits are considered uncollateralized under the provisions of GASB Statement 3.

### NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at September 30, 2018, consisted of the following:

Fines and Court Costs Due from the Ruston Ward Marshal	\$ 15,403
Bonds from the Lincoln Parish Sheriff's Office	80
Reinstatement Fees from the Louisiana Dept. of Public Safety	<u>200</u>
Total	<u>\$ 15,683</u>

### NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2018, are as follows:

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/18</u>
Capital Assets, being depreciated:				
Furniture, Equipment, and Software	\$ 486,461	\$ 52,455	\$ 0	\$ 538,916
Building and Improvements	<u>464,079</u>	<u>0</u>	<u>0</u>	<u>464,079</u>
Totals	<u>950,540</u>	<u>52,455</u>	<u>0</u>	<u>1,002,995</u>
Less Accumulated Depreciation:				
Furniture, Equipment, and Software	399,166	26,222	0	425,388
Building and Improvements	<u>76,838</u>	<u>22,381</u>	<u>0</u>	<u>99,219</u>
Totals	<u>476,004</u>	<u>48,603</u>	<u>0</u>	<u>524,607</u>
Net Capital Assets	<u>\$ 474,536</u>	<u>\$ 3,852</u>	<u>\$ 0</u>	<u>\$ 478,388</u>

### NOTE 5 - RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENTAL-WIDE STATEMENT OF NET POSITION

At September 30, 2018, assets reported as available for government activities in the Statement of Net Position are different from the General Fund Balance Sheet as follows:

Fund Balance - General Fund	\$ 1,553,872
Adjustment for Capital Assets - Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund balance sheet nor reflected in fund balance for the general fund.	478,388
The deferred outflows of expenditures for pension obligations are not a use of current resources, and therefore, are not reported in the fund financial statements.	15,473

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 5 - RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENTAL-WIDE STATEMENT OF NET POSITION (CONTINUED)

The deferred inflows of contributions for pension obligations are not available resources, and therefore, are not reported in the fund financial statements.	(3,057)
Adjustment for Long-Term Liabilities - Long-term pension liabilities are not due and payable in the current period and therefore are not reported in the general fund balance sheet nor reflected in fund balance for the general fund.	<u>(265,773)</u>
Total Net Position of Governmental Activities	<u>\$ 1,778,903</u>

### NOTE 6 - RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

At September 30, 2018, amounts reported for government activities in the Statement of Activities are different from the General Fund Revenues, Expenditures, and Changes in Fund Balance as follows:

Net Change in Fund Balance - General Fund	\$ 223,890
Adjustment for Difference in Capital Outlays and Depreciation - Governmental funds report capital outlays as expenditures while in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. An adjustment is required for the amount by which capital outlays (\$52,455) exceeded depreciation expense (\$48,603) in the current period.	3,852
Adjustment for Difference in Pension Expense - Governmental funds report pension expenditures based on required contributions, while in the Statement of Activities pension expense is reported based on the change in net pension liability and amortization of deferred inflows and outflows.	<u>319</u>
Change in Net Position of Governmental Activities	<u>\$ 228,061</u>

### NOTE 7 - PENSION PLAN

The Ruston City Judge's Office provides retirement benefits to some court employees through a cost sharing multiple-employer defined benefit pension plan administered by the Louisiana State Employees' Retirement System (LASERS). Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The retirement system issues a publicly available financial report. That report may be obtained by writing to Louisiana State Employees' Retirement System, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809, by calling 1-800-256-3000, or at [www.lasersonline.org](http://www.lasersonline.org).

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

#### General Information about the Pension Plan

##### *Benefits Provided*

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

##### **1. Retirement**

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of LASERS rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, or at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

A member-leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

#### **2. Deferred Retirement Benefits**

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

#### **3. Disability Benefits**

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

#### **4. Survivor's Benefits**

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

#### **5. Permanent Benefit Increases/Cost-of-Living Adjustments**

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs), that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

#### **Contributions**

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from a member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2018 for the various plans follow:

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

Plan	Plan Status	Employee Rate	Employer Rate
Appellate Law Clerks	Closed	7.50 %	37.90 %
Appellate Law Clerks hired on or after 7/1/06	Open	8.00 %	37.90 %
Alcohol Tobacco Control	Closed	9.00 %	32.70 %
Bridge Police	Closed	8.50 %	36.50 %
Bridge Police hired on or after 7/01/06	Closed	8.50 %	36.50 %
Corrections Primary	Closed	9.00 %	33.20 %
Corrections Secondary	Closed	9.00 %	37.60 %
Harbor Police	Closed	9.00 %	6.10 %
Hazardous Duty	Open	9.50 %	38.30 %
Judges hired before 1/01/11	Closed	11.50 %	40.10 %
Judges hired after 12/31/10	Closed	13.00 %	39.60 %
Judges hired on or after 7/1/15	Open	13.00 %	39.60 %
Legislators	Closed	11.50 %	41.70 %
Optional Retirement Plan before 7/1/06*	Closed	7.50 %	37.90 %
Optional Retirement Plan on or after 7/1/06*	Closed	8.00 %	37.90 %
Peace Officers	Closed	9.00 %	36.70 %
Regular Employees hired before 7/01/06	Closed	7.50 %	37.90 %
Regular Employees hired on or after 7/01/06	Closed	8.00 %	37.90 %
Regular Employees hired on or after 1/01/11	Closed	8.00 %	37.90 %
Regular Employees hired on or after 7/01/15	Open	8.00 %	37.90 %
Special Legislative Employees	Closed	9.50 %	43.70 %
Wildlife Agents	Closed	9.50 %	46.60 %

\* For ORP the projected employer contribution effort was calculated using the shared UAL portion of the contribution rate.

The Ruston City Judge's Office's contractually required composite contribution rate for the pension plan year ended June 30, 2018 and 2019 was 40.1% and 40.1%, respectively, of annual covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the the Ruston City Judge's Office were \$29,138 for the year ended September 30, 2018.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2018, the Employer reported a liability of \$265,773 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Ruston City Judge's Office's proportion of the Net Pension Liability was based on a projection of the Judge's Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Ruston City Judge's Office's proportion was 0.00390%, which was an increase of 0.00003% from its proportion measured as of June 30, 2017.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

For the year ended September 30, 2018, the the Ruston City Judge's Office recognized pension expense of \$23,277 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$5,542.

At September 30, 2018, the Ruston City Judge's Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 2,981
Changes of assumptions	2,704	0
Net difference between projected and actual earnings on pension plan investments	3,446	0
Change in proportion and differences between Employer contributions and proportionate share of contributions	2,177	76
Employer contributions subsequent to the measurement date	<u>7,146</u>	<u>0</u>
Total	<u>\$ 15,473</u>	<u>\$ 3,057</u>

The Ruston City Judge's Office is reporting \$7,146 as deferred outflows of resources related to pensions resulting from their contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended September 30:**

2019	\$	8,820
2020	\$	3,918
2021	\$	(6,495)
2022	\$	(973)

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

#### **Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

<b>Valuation Date</b>	June 30, 2018																		
<b>Actuarial Cost Method</b>	Entry Age Normal																		
<b>Actuarial Assumptions:</b>																			
<b>Expected Remaining Service Lives</b>	3 years																		
<b>Investment Rate of Return</b>	7.70% per annum, net of investment expenses*																		
<b>Inflation Rate</b>	2.75% per annum																		
<b>Mortality</b>	<p><b>Non-disabled members</b> - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.</p> <p><b>Disabled members</b> - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.</p>																		
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		
<b>Salary Increases</b>	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																		
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Member Type</th> <th style="text-align: center; border-bottom: 1px solid black;">Lower Range</th> <th style="text-align: center; border-bottom: 1px solid black;">Upper Range</th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.8 %</td> <td style="text-align: center;">12.8 %</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8 %</td> <td style="text-align: center;">5.3 %</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4 %</td> <td style="text-align: center;">14.3 %</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4 %</td> <td style="text-align: center;">14.3 %</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4 %</td> <td style="text-align: center;">14.3 %</td> </tr> </tbody> </table>	Member Type	Lower Range	Upper Range	Regular	3.8 %	12.8 %	Judges	2.8 %	5.3 %	Corrections	3.4 %	14.3 %	Hazardous Duty	3.4 %	14.3 %	Wildlife	3.4 %	14.3 %
Member Type	Lower Range	Upper Range																	
Regular	3.8 %	12.8 %																	
Judges	2.8 %	5.3 %																	
Corrections	3.4 %	14.3 %																	
Hazardous Duty	3.4 %	14.3 %																	
Wildlife	3.4 %	14.3 %																	
<b>Cost of Living Adjustments</b>	The present value of future of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

\* The investment rate of return used in the actuarial valuation for funding purposes was 8.05%, recognizing an additional 40 basis points for gain-sharing and 15 basis points to offset administrative expenses. The net return available to fund regular plan benefits is 7.61%, which is reasonably close to the 7.70% discount rate. Therefore I conclude that the 7.70% discount is reasonable.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83% for 2018. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Real Rate of Return <sup>1</sup>
Cash	0 %	-0.48 %
Domestic equity	23 %	4.31 %
International equity	32 %	5.26 %
Domestic Fixed Income	6 %	1.49 %
International Fixed Income	10 %	2.23 %
Alternative Investments	22 %	7.67 %
Risk Parity	7 %	4.96 %
Total Fund	100 %	5.40 %

<sup>1</sup> *For reference only: Target Allocation presented in LASERS 2018 CAFR, page 49, and Long-Term Expected Real Rate of Return, page 28.*

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at actuarially determined rates approved by PRSAC taking into consideration the recommendation of the pension plan's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.65%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.65%) or one percentage-point higher (8.65%) than the current rate:

	<u>1.0% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
Employer's proportionate share of the net pension liability	\$ 335,423	\$ 265,773	\$ 205,787

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2018

### NOTE 7 - PENSION PLAN (CONTINUED)

#### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued current LASERS Comprehensive Annual Financial Report at [www.lasersonline.org](http://www.lasersonline.org).

### NOTE 8 - ON-BEHALF PAYMENTS

Employees of the Ruston City Judge's Office received salaries and fringe benefits from the City of Ruston and the State of Louisiana. The following is a summary of these on-behalf payments:

Salaries	\$ 380,092
Fringe Benefits	<u>142,461</u>
Totals	<u>\$ 522,553</u>

Fringe benefits paid by the City of Ruston and the State of Louisiana include pension plan contributions to the Louisiana State Employees' Retirement System. The City of Ruston also makes pension plan contributions to the Municipal Employees' Retirement System of Louisiana.

**REQUIRED SUPPLEMENTAL INFORMATION**  
**Budgetary Analysis**

## RUSTON CITY JUDGE'S OFFICE

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-- BUDGET (GAAP BASIS) AND ACTUAL--GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual (GAAP Basis) Amounts	Variance with Final Budget Favorable (Unfavorable)
	(GAAP Basis)			
	Original	Final		
<b>REVENUES</b>				
Court Costs and Fees	\$ 379,000	\$ 408,800	\$ 455,764	\$ 46,964
On-Behalf Revenue	475,000	499,800	522,553	22,753
Interest Income	1,400	1,725	3,094	1,369
<b>TOTAL REVENUES</b>	<u>855,400</u>	<u>910,325</u>	<u>981,411</u>	<u>71,086</u>
<b>EXPENDITURES</b>				
Capital Outlay--Equipment	52,000	52,000	52,455	(455)
Accounting Fees	32,000	30,000	29,231	769
Auto Expense	200	144	139	5
Continuing Education	2,600	2,592	2,575	17
Contract Services	3,300	2,475	2,550	(75)
Dues and Subscriptions	1,300	1,515	1,654	(139)
Insurance	1,000	2,400	2,360	40
Judge Ad Hoc	2,000	1,000	1,000	0
Library Expense	5,400	6,000	6,924	(924)
Miscellaneous	1,500	348	347	1
Office Expense	58,600	43,548	39,957	3,591
On-Behalf Expenses	475,000	499,800	522,553	(22,753)
Pension Expense	24,000	28,583	29,139	(556)
Repairs and Maintenance	3,400	1,992	2,154	(162)
Salaries	41,501	46,152	46,519	(367)
Taxes	4,008	4,308	4,292	16
Telephone	1,100	1,200	1,206	(6)
Travel	13,000	12,547	12,466	81
<b>TOTAL EXPENDITURES</b>	<u>721,909</u>	<u>736,604</u>	<u>757,521</u>	<u>(20,917)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	133,491	173,721	223,890	50,169
<b>FUND BALANCE--BEGINNING</b>	<u>1,162,256</u>	<u>1,162,256</u>	<u>1,329,982</u>	<u>167,726</u>
<b>FUND BALANCE--ENDING</b>	<u>\$ 1,295,747</u>	<u>\$ 1,335,977</u>	<u>\$ 1,553,872</u>	<u>\$ 217,895</u>

# RUSTON CITY JUDGE'S OFFICE

SEPTEMBER 30, 2018

## SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<b>Louisiana State Employees' Retirement System</b>					
2018	0.00390 %	\$ 265,773	\$ 71,022	374.21 %	64.30 %
2017	0.00387 %	272,332	69,321	392.86 %	62.50 %
2016	0.00385 %	302,245	68,184	443.28 %	57.70 %
2015	0.00357 %	242,610	66,369	365.55 %	62.70 %
2014	0.00418 %	261,621	64,872	403.29 %	65.00 %

**Notes:**

The amounts presented for each fiscal year were determined as of a June 30th measurement date prior to the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. The years presented are the only years for which the required information is available.

# RUSTON CITY JUDGE'S OFFICE

SEPTEMBER 30, 2018

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLANS

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
Louisiana State Employees' Retirement System					
2018	\$ 28,583	\$ 28,583	\$ 0	\$ 71,280	40.10 %
2017	26,907	26,907	0	69,837	38.53 %
2016	25,961	25,961	0	68,184	38.07 %
2015	27,095	27,095	0	66,687	40.88 %
2014	24,604	24,604	0	65,382	37.63 %

**Notes:**

The amounts presented were determined as of the end of the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. The years presented are the only years for which the required information is available.

# RUSTON CITY JUDGE'S OFFICE

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS FOR THE YEAR ENDED SEPTEMBER 30, 2018

### **Louisiana State Employees' Retirement System**

#### **1. Schedule of Employer's Share of Net Pension Liability**

This schedule reflects the participation of Ruston City Judge's Office employees in LASERS and its proportionate share of the net pension liability as a percentage of its covered employee payroll, and the plan fiduciary net position as a percentage of the total pension liability.

#### **2. Schedule of Employer's Contributions**

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

#### **3. Changes in Actuarial Assumptions for Net Pension Liability**

The following is a list of changes in actuarial assumptions:

Investment Rate of Return	7.65% per annum for 2018 7.70% per annum for 2017 7.75% per annum for 2016 and 2015
Inflation Rate	2.75% per annum for 2018 and 2017 3.00% per annum for 2016 and 2015

## **OTHER REPORTS AND SCHEDULES**

## DON M. MCGEHEE

(A Professional Accounting Corporation)

P.O. Box 1344

205 E. Reynolds Dr., Suite A

Ruston, Louisiana 71273-1344

### 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

Honorable Danny Tatum  
Ruston City Judge's Office  
P.O. Box 1821  
Ruston, LA 71273-1821

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ruston City Judge's Office, a component unit of the City of Ruston, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Ruston City Judge's Office's basic financial statements and have issued my report thereon dated March 27, 2019.

#### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Ruston City Judge's Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ruston City Judge's Office's internal control. Accordingly, I do not express an opinion on the effectiveness of the Ruston City Judge's Office's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as #2018-1 that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ruston City Judge's Office's financial statements are free from material misstatement, I performed tests on 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matter required to be reported under Government Auditing Standards.

Ruston City Judge's Office's Response to Findings

The Ruston City Judge's Office's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Ruston City Judge's Office's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Don M. McGehee  
Certified Public Accountant  
March 27, 2019

# RUSTON CITY JUDGE'S OFFICE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2018

I have audited the financial statements of the Ruston City Judge's Office as of and for the year ended September 30, 2018, and have issued my report thereon dated March 27, 2019. I conducted my 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. My audit of the financial statements, as of September 30, 2018, resulted in an unqualified opinion.

### Section I Summary of Auditor's Reports

#### Report on Internal Control and Compliance Material to the Financial Statements

##### Internal Control

Material Weaknesses  Yes  No      Significant Deficiencies  Yes  No

##### Compliance

Compliance Material to Financial Statements  Yes  No

Was a management letter issued?  Yes  No

### Section II Financial Statement Findings

**Finding #2018-1. Segregation of Duties.** The Ruston City Judge's Office has too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

# RUSTON CITY JUDGE'S OFFICE

## MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2018

### SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

**Finding #2018-1. Segregation of Duties.** The Judge's Office is required to design internal controls with proper segregation of duties to prevent, or detect and correct, misstatements in the accounting system. The Judge's Office has inadequate segregation of duties, because there are too few personnel involved in the accounting system. The financial statements could have a misstatement that would not be prevented, or detected and corrected. Recommend that the Judge's Office involve more personnel in the accounting system to allow for adequate segregation of duties.

**Response:** *The Judge's Office has an accounting workload that can be easily managed by one employee. Hiring or involving additional employees in the accounting system to provide enhanced internal control does not appear as a practical and best use of current resources.*

### SECTION II MANAGEMENT LETTER

No management letter issued.

# RUSTON CITY JUDGE'S OFFICE

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2018

### SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

**Finding #2017-1. Segregation of Duties.** Too few personnel involved in the accounting system to have adequate segregation of duties for internal control.

**Status:** Unresolved. See Finding #2018-1.

**Finding #2017-2. Inadequate Collateralization of Bank Deposits.** Bank deposits in excess of FDIC insurance were not secured by pledged securities.

**Status:** Resolved.

# RUSTON CITY JUDGE'S OFFICE

## SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE RUSTON CITY COURT JUDGE FOR THE YEAR ENDED SEPTEMBER 30, 2018

### Ruston City Court Judge Danny Tatum:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 71,280
Salary paid On-Behalf	81,132
Benefits-Retirement	28,583
Benefits-Retirement paid On-Behalf	32,534
Travel-Per Diem Allowance	1,770
Travel-Mileage	1,473
Travel-Lodging	3,727
Cell Phone	1,206
Continuing Professional Education Fees	1,825
Dues	350

## **STATEWIDE AGREED-UPON PROCEDURES**

**RUSTON CITY JUDGE'S OFFICE**

**STATEWIDE AGREED-UPON PROCEDURES**

**SEPTEMBER 30, 2018**

## DON M. MCGEHEE

(A Professional Accounting Corporation)

P.O. Box 1344

205 E. Reynolds Dr., Suite A  
Ruston, Louisiana 71273-1344

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Danny Tatum of the  
Ruston City Judge's Office  
and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Ruston City Judge's Office and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

#### **Written Policies and Procedures**

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

*Management provided us with the written policy and procedures and all functions are addressed.*

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*Management provided us with the written policy and procedures and all functions are addressed.*

c) **Disbursements**, including processing, reviewing, and approving

*Management provided us with the written policy and procedures and all functions are addressed.*

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Management provided us with the written policy and procedures and all functions are addressed.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Management provided us with the written policy and procedures and all functions are addressed.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*Management provided us with the written policy and procedures and all functions are addressed, except there are no standard terms and conditions for contracts.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*Management provided us with the written policy and procedures and all functions are addressed.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*Management provided us with the written policy and procedures and all functions are addressed.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*Management provided us with the written policy and procedures and all functions are addressed.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Not applicable at this time.*

**Board (or Finance Committee, if applicable)**

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*Not applicable.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

*Not applicable.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*Not applicable.*

### **Bank Reconciliations**

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

*Management provided us with the required list and represented that it is complete.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exceptions.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exceptions.*

### **Collections**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*Management provided us with the required list and representation that it is complete.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*Management provided the required list and represented that it is complete. No exceptions.*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*Everyone shares the same cash register or drawer with other employees.*

*Management's Response: Ruston City Judge's Office only has two to three employees involved with cash collections each day. One cash drawer is used with each transaction supported by pre-numbered receipts. At least two employees reconcile the receipts and the cash drawer each day.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to deposit.

*No exceptions.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*No exceptions.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*No exceptions.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions.*

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*Management provided us with the required list and represented that it is complete.*

9. For each location under #8 above, obtain a listing of employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*Management provided us with the required information.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transactions population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*Management provided us with the required population and represented that it is complete.*

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions.*

**Credit Cards/Debit Cards/Fuel Cards/P-Cards**

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*Management provided us with the required list and represented that the list is complete.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*No exceptions.*

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.

*No exceptions.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*No exceptions.*

**Travel and Expense Reimbursement**

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*Management provided us with the required list and represented that the list is complete.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*No exceptions.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions.*

### **Contracts**

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

**Payroll and Personnel**

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Management provided the required list and represented that the listing is complete. No exceptions.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave).

*No exceptions.*

- b) Observe that supervisors approved the attendance and leave of the selected employee/officials.

*No exceptions.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*Not applicable.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*Not applicable.*

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*Management provided representation that payments had been filed by required deadlines.*

**Ethics**

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics compliance documentation from management, and

- a) Observe that the documentation demonstrates each employee/official completed one hour training during the fiscal period.

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she had read the entity's ethics policy during the fiscal period.

*Excluded from testing during the current year, since there were no exceptions in the prior year.*

**Debt Service**

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*Not applicable.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balances and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Not applicable.*

**Other**

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Not applicable.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions.*

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Don M. McGehee  
Certified Public Accountant  
March 27, 2019