

RUSTON CITY JUDGE'S OFFICE

**FINANCIAL REPORT
SEPTEMBER 30, 2017**

RUSTON CITY JUDGE'S OFFICE

FINANCIAL REPORT SEPTEMBER 30, 2017

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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

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, 2017, 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, 2017, 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 and budgetary comparison information on page 27 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.

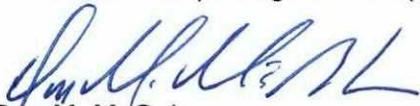
Other Information

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 30, 2018, 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 30, 2018

REQUIRED SUPPLEMENTAL INFORMATION
Management's Discussion and Analysis



RUSTON CITY COURT

P.O. Box 1821
401 North Trenton Street
Ruston, Louisiana 71273-1821
Phone (Voice & TDD)
(318) 251-8614
Fax (318) 251-8619

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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 \$307,073 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

			Increase (Decrease)	
	2017	2016	Amount	Percent
Current Assets	\$ 1,336,419	\$ 996,956	\$ 339,463	34 %
Capital Assets	474,536	516,469	(41,933)	(8)%
Total Assets	<u>1,810,955</u>	<u>1,513,425</u>	<u>297,530</u>	20 %
Total Deferred Outflows	<u>24,312</u>	<u>57,627</u>	<u>(33,315)</u>	(58)%
Long-Term Liabilities	272,332	302,245	(29,913)	(10)%
Other Liabilities	6,437	8,360	(1,923)	(23)%
Total Liabilities	<u>278,769</u>	<u>310,605</u>	<u>(31,836)</u>	(10)%
Total Deferred Inflows	<u>5,656</u>	<u>16,678</u>	<u>(11,022)</u>	(66)%
Net Position:				
Investment in Capital Assets	474,536	516,469	(41,933)	(8)%
Unrestricted	<u>1,076,306</u>	<u>727,300</u>	<u>349,006</u>	48 %
Total Net Position	<u>\$ 1,550,842</u>	<u>\$ 1,243,769</u>	<u>\$ 307,073</u>	25 %

About 69% (\$1,076,306 of \$1,550,842) of total net position is unrestricted in 2017 compared to 58% (\$727,300 of \$1,243,769) in 2016. 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

	2017	2016	Increase (Decrease)	
			Amount	Percent
Program Revenues:				
Court Costs and Fees	\$ 534,120	\$ 240,901	\$293,219	122 %
On-Behalf Revenue	507,195	426,090	81,105	19 %
Other Program Revenues	5,052	4,910	142	3 %
General Revenues:				
Miscellaneous	1,099	0	1,099	100 %
Interest Income	<u>2,655</u>	<u>1,983</u>	<u>672</u>	34 %
Total Revenues	<u>1,050,121</u>	<u>673,884</u>	<u>376,237</u>	56 %
Program Expenses				
General Government-Judiciary	235,853	193,549	42,304	22 %
On-Behalf Expenses	<u>507,195</u>	<u>426,090</u>	<u>81,105</u>	19 %
Total Expenses	<u>743,048</u>	<u>619,639</u>	<u>123,409</u>	20 %
Change in Net Position	<u>\$ 307,073</u>	<u>\$ 54,245</u>	<u>\$252,828</u>	466 %

Court costs and fees revenues increased about 122% (\$534,120 compared to \$240,901) from the prior year. Interest income increased about 34% (\$2,655 compared to \$1,983) from the prior year. General government expenses increased 22% (\$235,853 compared to \$193,549) from the prior year. The net effect of the differences resulted in a \$307,073 increase in net position for the year ended September 30, 2017 versus the \$54,245 increase in net position in the previous year.

Fund Financial Statements

As of September 30, 2017, the general fund reported a fund balance of \$1,329,982, which is about 35% (\$1,329,982 compared to \$988,596) 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 (\$962). The remaining \$1,329,020 is unassigned. During the year ended September 30, 2017, court costs and fees revenue increased, and interest income increased, as described above. On-behalf revenues increased 19% (\$507,195 compared to \$426,090). Expenditures, excluding the on-behalf amounts, increased about 33% (\$201,540 compared to \$151,327) from the prior year, primarily due to an increase in salaries of \$27,839, an increase in office expense of \$15,233, and an increase in accounting fees of \$10,607.

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 57% (\$360,916) in revenues and a 35% (\$187,673) increase in expenditures. The change in budgeted revenues was primarily the result of a \$269,240 increase in court costs and fees, representing an 108% change, and a \$90,380 increase in on-behalf revenue, representing a 23% change. The change in budgeted expenses was primarily the result of an adjustment increasing on-behalf expenses from \$385,000 to \$475,380 (a \$90,380 increase), a \$46,000 increase in capital outlay from \$6,000 to \$52,000, a \$27,501 increase in salaries from \$14,000 to \$41,501, and a \$13,300 increase in office expense from \$45,100 to \$58,400. There were no other significant budget adjustments.

Capital Assets

In 2017, the Judge's Office did not purchase any capital assets. For the upcoming year ending September 30, 2018, the Judge's Office plans to purchase a new vehicle and some shelving for the storage building. These purchases are included in the fiscal year 2018 budgeted capital expenditures line item for \$52,000. There are no plans to issue debt to finance the planned capital outlay for 2018 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, 2017

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 1,310,093	\$	\$ 1,310,093
Due from Governmental Units	25,364		25,364
Prepaid Expenses	962		962
Capital Assets, Net	<u>0</u>	<u>474,536</u>	<u>474,536</u>
TOTAL ASSETS	<u>\$ 1,336,419</u>	<u>474,536</u>	<u>1,810,955</u>
DEFERRED OUTFLOWS OF RESOURCES			
		<u>24,312</u>	<u>24,312</u>
LIABILITIES			
Accounts Payable	\$ 4,015		4,015
Accrued Liabilities	2,422		2,422
Long-Term Liabilities			
Pension Liability	<u>0</u>	<u>272,332</u>	<u>272,332</u>
TOTAL LIABILITIES	<u>6,437</u>	<u>272,332</u>	<u>278,769</u>
DEFERRED INFLOWS OF RESOURCES			
		<u>5,656</u>	<u>5,656</u>
FUND BALANCE/NET POSITION			
FUND BALANCE:			
Nonspendable-Prepaid	962	(962)	0
Unassigned	<u>1,329,020</u>	<u>(1,329,020)</u>	<u>0</u>
TOTAL FUND BALANCE	<u>1,329,982</u>	<u>(1,329,982)</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,336,419</u>		
NET POSITION:			
Investment in Capital Assets		474,536	474,536
Unrestricted		<u>1,076,306</u>	<u>1,076,306</u>
TOTAL NET POSITION		<u>\$ 1,550,842</u>	<u>\$ 1,550,842</u>

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, 2017

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
General Government--Judiciary			
Audit and Accounting Fees	\$ 33,104	\$	\$ 33,104
Auto Expense	190		190
Continuing Education	2,550		2,550
Contract Services	3,050		3,050
Depreciation	0	41,933	41,933
Dues and Subscriptions	1,417		1,417
Insurance	31,572		31,572
Judge Ad Hoc	1,300		1,300
Library Expense	11,363		11,363
Miscellaneous	1,988		1,988
Office Expense	54,217		54,217
Pension Expense	121,053	(7,620)	113,433
Repairs and Maintenance	4,775		4,775
Salaries	418,661		418,661
Taxes	9,486		9,486
Telephone	1,155		1,155
Travel	12,854		12,854
TOTAL	<u>708,735</u>	<u>34,313</u>	<u>743,048</u>
PROGRAM REVENUES			
Charges for Services			
Court Costs and Fees	534,120		534,120
Contributions			
City of Ruston	5,052		5,052
On-Behalf Revenue	<u>507,195</u>		<u>507,195</u>
TOTAL	<u>1,046,367</u>		<u>1,046,367</u>
NET PROGRAM REVENUES	<u>337,632</u>	<u>(34,313)</u>	<u>303,319</u>
GENERAL REVENUES			
Miscellaneous Income	1,099		1,099
Interest Income	<u>2,655</u>		<u>2,655</u>
TOTAL GENERAL REVENUES	<u>3,754</u>		<u>3,754</u>
EXCESS OF REVENUES OVER EXPENDITURES	341,386	(341,386)	0
CHANGE IN NET POSITION		307,073	307,073
FUND BALANCE/NET POSITION			
BEGINNING OF THE YEAR	<u>988,596</u>	<u>255,173</u>	<u>1,243,769</u>
END OF THE YEAR	<u>\$ 1,329,982</u>	<u>\$ 220,860</u>	<u>\$ 1,550,842</u>

See accompanying notes to financial statements.

RUSTON CITY JUDGE'S OFFICE

STATEMENT OF FIDUCIARY NET POSITION SEPTEMBER 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>1,304,288</u>
TOTAL ASSETS	<u>1,304,288</u>
LIABILITIES	
Held for Others	<u>1,304,288</u>
TOTAL LIABILITIES	<u>1,304,288</u>
NET POSITION	\$ <u> 0</u>

See accompanying notes to financial statements.

RUSTON CITY JUDGE'S OFFICE

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2017

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, 2017

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, 2017

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 2017 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 12, 2016. 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, 2017

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, 2017, the Judge's Office has under its control general fund cash and fiduciary fund cash totaling \$2,614,381 (book balances). The Judge's collected balances with financial institutions at September 30, 2017, is \$2,637,825. These deposits were secured from risk by \$750,000 of federal deposit insurance and \$1,852,033 of pledged securities, resulting in uncollateralized amounts of \$35,792, which is a violation of state law.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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, 2017, consisted of the following:

Fines and Court Costs Due from the Ruston Ward Marshal	\$ 24,789
Reinstatement Fees from the Louisiana Dept. of Public Safety	<u>575</u>
Total	<u>\$ 25,364</u>

NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2017, are as follows:

	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/17</u>
Capital Assets, being depreciated:				
Furniture, Equipment, and Software	\$ 486,461	\$ 0	\$ 0	\$ 486,461
Building and Improvements	<u>464,079</u>	<u>0</u>	<u>0</u>	<u>464,079</u>
Totals	<u>950,540</u>	<u>0</u>	<u>0</u>	<u>950,540</u>
Less Accumulated Depreciation:				
Furniture, Equipment, and Software	379,615	19,551	0	399,166
Building and Improvements	<u>54,456</u>	<u>22,382</u>	<u>0</u>	<u>76,838</u>
Totals	<u>434,071</u>	<u>41,933</u>	<u>0</u>	<u>476,004</u>
Net Capital Assets	<u>\$ 516,469</u>	<u>\$ (41,933)</u>	<u>\$ 0</u>	<u>\$ 474,536</u>

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

At September 30, 2017, 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	\$ 1,329,982
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.	474,536
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.	24,312

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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.	(5,656)
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>(272,332)</u>
Total Net Position of Governmental Activities	<u>\$ 1,550,842</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, 2017, 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	\$ 341,386
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 (\$0) were less than depreciation expense (\$41,933) in the current period.	(41,933)
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>7,620</u>
Change in Net Position of Governmental Activities	<u>\$ 307,073</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.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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, 2017

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, 2017

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, 2017

NOTE 7 - PENSION PLAN (CONTINUED)

Plan	Plan Status	Employee Contribution Rate	Employer Contribution 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 %	33.80 %
Optional Retirement Plan on or after 7/1/06*	Closed	8.00 %	33.80 %
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, 2017 and 2018 was 38% 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 \$26,371 for the year ended September 30, 2017.

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

At September 30, 2017, the Employer reported a liability of \$272,332 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017, the Ruston City Judge's Office's proportion was 0.00387%, which was an increase of 0.00002% from its proportion measured as of June 30, 2016.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

NOTE 7 - PENSION PLAN (CONTINUED)

For the year ended September 30, 2017, the the Ruston City Judge's Office recognized pension expense of \$24,920 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$6,168.

At September 30, 2017, 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	\$ 4,997
Changes of assumptions	1,076	0
Net difference between projected and actual earnings on pension plan investments	8,856	0
Change in proportion and differences between Employer contributions and proportionate share of contributions	7,441	0
Employer contributions subsequent to the measurement date	6,939	659
Total	\$ 24,312	\$ 5,656

The Ruston City Judge's Office is reporting \$6,939 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:

2018	\$	5,239
2019	\$	8,416
2020	\$	3,544
2021	\$	(5,482)

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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, 2017 are as follows:

Valuation Date June 30, 2017
Actuarial Cost Method Entry Age Normal

Actuarial Assumptions:

Expected Remaining Service Lives 3 years

Investment Rate of Return 7.70% per annum, net of investment expenses*

Inflation Rate 2.75% per annum

Mortality **Non-disabled members** - Mortality rates based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015.

Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.

Termination, Disability, and Retirement Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.

Salary Increases 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:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
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 %

Cost of Living Adjustments 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 8.16%, 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 7.7% discount rate. Therefore I conclude that the 7.7% discount is reasonable.

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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 8.69% for 2017. 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>Long-Term Expected Real Rate of Return¹</u>
Cash	0 %	-0.24 %
Domestic equity	25 %	4.31 %
International equity	32 %	5.35 %
Domestic Fixed Income	8 %	1.73 %
International Fixed Income	6 %	2.49 %
Alternative Investments	22 %	7.41 %
Global Asset Allocation	7 %	2.84 %
Total	<u>100 %</u>	<u>5.26 %</u>

¹ *For reference only: Target Allocation presented in LASERS 2016 CAFR, page 50, and Long-Term Expected Real Rate of Return, page 28.*

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 7.75%, 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 (6.75%) or one percentage-point higher (8.75%) than the current rate:

	<u>1.0% Decrease (6.70%)</u>	<u>Current Discount Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Employer's proportionate share of the net pension liability	\$ 341,882	\$ 302,245	\$ 213,198

RUSTON CITY JUDGE'S OFFICE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) SEPTEMBER 30, 2017

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.

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	\$ 377,872
Fringe Benefits	<u>129,323</u>
Totals	<u>\$ 507,195</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, 2017

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis) Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Court Costs and Fees	\$ 250,000	\$ 519,240	\$ 534,120	\$ 14,880
Expense Recovery	0	0	5,052	5,052
On-Behalf Revenue	385,000	475,380	507,195	31,815
Miscellaneous	0	1,104	1,099	(5)
Interest Income	1,200	1,392	2,655	1,263
TOTAL REVENUES	<u>636,200</u>	<u>997,116</u>	<u>1,050,121</u>	<u>53,005</u>
EXPENDITURES				
Capital Outlay--Equipment	6,000	52,000	0	52,000
Accounting Fees	24,000	35,000	33,104	1,896
Auto Expense	1,000	192	190	2
Continuing Education	3,000	2,592	2,550	42
Contract Services	4,000	3,300	3,050	250
Dues and Subscriptions	2,000	1,300	1,417	(117)
Insurance	5,000	1,000	2,332	(1,332)
Judge Ad Hoc	1,000	1,300	1,300	0
Library Expense	4,000	5,304	11,363	(6,059)
Miscellaneous	1,300	1,500	1,988	(488)
Office Expense	45,100	58,400	54,217	4,183
On-Behalf Expenses	385,000	475,380	507,195	(31,815)
Pension Expense	24,000	24,000	26,371	(2,371)
Repairs and Maintenance	1,000	3,396	4,775	(1,379)
Salaries	14,000	41,501	40,789	712
Taxes	2,100	4,008	4,085	(77)
Telephone	1,100	1,100	1,155	(55)
Travel	13,000	13,000	12,854	146
TOTAL EXPENDITURES	<u>536,600</u>	<u>724,273</u>	<u>708,735</u>	<u>15,538</u>
EXCESS OF REVENUES OVER EXPENDITURES	99,600	272,843	341,386	68,543
FUND BALANCE--BEGINNING	<u>1,090,282</u>	<u>1,045,528</u>	<u>988,596</u>	<u>(56,932)</u>
FUND BALANCE--ENDING	<u>\$ 1,189,882</u>	<u>\$ 1,318,371</u>	<u>\$ 1,329,982</u>	<u>\$ 11,611</u>

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, 2017, 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 30, 2018.

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 #2017-1 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 one instances of noncompliance or other matter required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as #2017-2.

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 30, 2018

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

I have audited the financial statements of the Ruston City Judge's Office as of and for the year ended September 30, 2017, and have issued my report thereon dated March 30, 2018. 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, 2017, 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 2017-1. Separation of Duties. The Ruston City Judge's Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Finding 2017-2. Inadequate Collateralization of Bank Deposits. The Ruston City Judge's Office did not have adequate collateralization of bank deposits.

RUSTON CITY JUDGE'S OFFICE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

Finding #2017-1. Separation 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. Involving additional employees in the accounting system to provide enhanced internal control does not appear to be the best use of their time.*

Finding #2017-2. Inadequate Collateralization of Bank Deposits. The Judge's Office is required by state law to have all bank deposits secured by federal deposit insurance or the pledge of securities. As of September 30, 2017, there was a bank balance in excess of FDIC coverage that was not sufficiently secured by pledged securities. It appears that the bank balances were not being monitored, which resulted in the inadequate collateralization of bank deposits. I recommend the clerk monitor the bank balances and notify the bank when pledged securities are needed to adequately collateralize the bank deposits.

Response: *The bank account was adequately covered by FDIC insurance and pledged securities at the beginning of the year. The bank balance gradually increased during the year resulting in insufficient coverage for the first time in September, 2017. The bank responded with an increase in pledged securities on November 30, 2017. The clerk will begin monitoring the bank accounts each month and notify the bank when additional pledged securities are needed beginning in April, 2018.*

SECTION II MANAGEMENT LETTER

No management letter issued.

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

Finding #2016-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Status: Unresolved. See Finding #2017-1.

RUSTON CITY JUDGE'S OFFICE

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE RUSTON CITY COURT JUDGE FOR THE YEAR ENDED SEPTEMBER 30, 2017

Ruston City Court Judge Danny Tatum:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 69,837
Salary paid On-Behalf	80,580
Benefits-Retirement	26,371
Benefits-Retirement paid On-Behalf	31,033
Travel-Per Diem Allowance	1,770
Travel-Mileage	1,450
Travel-Lodging	3,644
Cell Phone	1,150
Continuing Professional Education Fees	1,750
Dues	200
Reimbursements	18

RUSTON CITY JUDGE'S OFFICE

STATEWIDE AGREED-UPON PROCEDURES

SEPTEMBER 30, 2017

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, 2016 through September 30, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- 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**, including receiving, recording, and preparing deposits

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, and (5) monitoring card usage.

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) 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 review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Not applicable.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Not applicable.

- ⇒ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations have been prepared on selected bank accounts for all months in the fiscal period, except two of the selected accounts. One of those accounts was closed during the year, so it did not have bank reconciliations for all the months. The other account was missing one monthly bank reconciliation, but it was combined with the next monthly bank reconciliation.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations did not include evidence that a member of management reviewed each bank reconciliation.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Client provided documentation reflecting the research done on reconciling items that had been outstanding for more than 6 months as of the end of the fiscal period on applicable bank reconciliations.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided documentation that indicates each person responsible for collecting cash is bonded. Those responsible for collecting cash are not responsible for depositing the cash in the bank, recording the transaction in the general ledger, or reconciling the related bank account. Everyone shares the same cash register or drawer with other employees.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Management provided written documentation which indicates that a formal process is used to reconcile cash collections documented on sequentially numbered receipts to the general ledger by a person who is not responsible for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

⇒ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions.

⇒ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Management does not have a process specifically identified to determine completeness of collections, but a person, who is not responsible for collections, reconciles the deposits to the supporting documentation.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

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

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

A requisition/purchase order system is not used by the Judge's office.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Not applicable.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

All payments for purchases included a statement or invoice, but there was no written evidence that it had been approved. If receiving reports were available, they were attached. There were no requisition and/or purchase orders with payments. Purchase orders and receiving reports were not required by written policy for documentation to process a payment. Evidence of approval of an invoice is not required by written policy.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Only two people can add vendors to the purchasing/disbursement system, and one of them does processes the payments for the general operating account.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

All checks require two signatures, and all of those people can initiate a purchase. Only one person with signatory authority also has responsibility for recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Unused checks are maintained in locked locations and one person who has signatory authority does have access, but all checks require two signatures.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamps are used.

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

14. 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.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.])

The credit card statement had no evidence that it was reviewed and approved by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

For the statement selected, there were no finance charges or late fees.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

⇒ An original itemized receipt (i.e., identifies precisely what was purchased)

An original itemized receipt was found for all transactions except one, to a locksmith for \$15.47.

⇒ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

All transactions included documentation of business/public purpose, except missing receipt noted above.

⇒ Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Management provided the written policy, client uses GSA per diem rates and the IRS standard mileage rate for all employees, except the Judge. The Judge's per diem rates are determined by the Louisiana State Supreme Court. The Louisiana State Supreme Court per diem rates exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions.

- b) Report whether each expense is supported by:

⇒ An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions.

⇒ Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions.

⇒ Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Selected transactions contained all other documentation required by written policy.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There was no written evidence that each expense and related documentation was reviewed and approved by someone other than the person receiving the reimbursement, but their written policy does not require written evidence of approval.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the required list and represented that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Of the five contract "vendors" selected, only two selected had a formal/written contract to support the service arrangement and amounts paid.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

⇒ If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

⇒ If not, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

None of the selected contracts were subject to the Louisiana Public Bid Law. The Judge's Office is exempt from the Procurement Code. Supporting contract documentation was obtained for two of the contracts selected. Solicited quotes were not required, and were not obtained for any of the selected contracts.

c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

The selected contracts were not amended.

d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Selected largest payment from each of the two contracts and obtained the supporting invoices for each of these payments. Compared the two payments to contract terms and all payments complied with the terms and conditions of the applicable contract.

e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Management provided the required list and represented that the listing is complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

The compensation paid to each selected employee was in accordance with the terms and conditions of the employment contract or pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

There was no written evidence that changes made to selected employee's hourly pay rates/salaries during the fiscal period were approved, but written approval is not required in their policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

All employees document their daily attendance with time cards, but only full-time employees are eligible to earn leave. The time cards for these full-time employees are submitted to the City of Ruston, which is responsible for paying these employees and accumulating their leave time. The Judge's office only maintains time card records for part-time employees.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

There is no written documentation that supervisors approved the attendance and leave of selected employees, but it is not required in the written policies.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

There were no selected employees that earn leave with the Judge's Office.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management provided list of employees terminated during the fiscal period and represented the list as complete. The City of Ruston was responsible for the termination payment, so there were no payments to select from the Judge's Office.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Management provided the ethics compliance documentation. The Judge's Office maintained documentation to demonstrate that required ethics training was completed.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per management, there were no alleged ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

There was no debt issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

There was no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

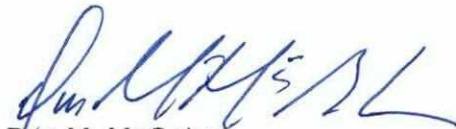
The Judge's Office posted the notice on its premises as required by R.S. 24:523.1. The Judge's Office does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions regarding management's representations in the procedures above.

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 30, 2018