
CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

C O N T E N T S

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Fund	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	5
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	6
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	7
Statement of Fiduciary Assets and Liabilities	8
<u>NOTES TO FINANCIAL STATEMENTS</u>	9
<u>REQUIRED SUPPLEMENTAL INFORMATION – PART II</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund	19
Schedule of Compensation, Benefits, and Other Payments to Agency Head	20

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

C O N T E N T S (Continued)

OTHER REPORTS

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 <i>Government Auditing Standards</i>	21
Corrective Action Plan for Current Year Audit Findings	23
Summary Schedule of Prior Audit Findings	25

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@franklinton.net

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Robert J. Black, Judge
City Court of Bogalusa
Bogalusa, Louisiana

I have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City Court of Bogalusa, a component unit of the City of Bogalusa, Louisiana as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Court'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 our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the City Court of Bogalusa, as of December 31, 2016, and the respective changes in financial position 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 budgetary comparison information on page 19 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 our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basis financial statements. Such missing 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 appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and were derived from and relate 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 schedule of compensation, benefits, and other payments to the agency head are 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 June 29, 2017, on my consideration of the City Court of Bogalusa's internal control over financial reporting and on 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 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 City Court of Bogalusa's internal control over financial reporting and compliance.

Minda Raybourn

Franklinton, La

June 29, 2017

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 42,529
Capital assets, net of accumulated depreciation	<u>2,711</u>
Total assets	<u>45,240</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	
Accounts payable	16,284
Accrued payroll liabilities	6,959
Accrued litigation claims payable	<u>8,250</u>
Total liabilities	<u>31,493</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Net investment in capital assets	2,711
Unrestricted	<u>11,036</u>
Total net position	<u>\$ 13,747</u>

The accompanying notes are an integral part of this financial statement.

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines, & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs				
Governmental activities:				
Judicial	<u>\$ 435,616</u>	<u>\$ 125,736</u>	<u>\$ 273,560</u>	<u>\$ (36,320)</u>
		General Revenues		
				2,355
				6
				-
			Total general revenues & transfers	<u>2,361</u>
			Change in net position	(33,959)
			Net position - beginning	47,706
			Net position - ending	<u><u>\$ 13,747</u></u>

The accompanying notes are an integral part of this financial statement.

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General Fund</u>
ASSETS	
Cash	\$ 42,529
Total assets	42,529
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	16,284
Accrued payroll liabilities	6,959
Accrued litigation claims payable	8,250
Total liabilities	31,493
Fund Balance:	
Unassigned	11,036
Total fund balance	11,036
Total liabilities and fund balance	\$ 42,529

Amounts reported for net position in the *governmental activities* statement of net position are different from fund balance reported above because:

Fund balance as reported above	\$ 11,036
Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.	2,711
Net position of governmental activities.	\$ 13,747

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund
REVENUES	
Court fees	\$ 125,733
Intergovernmental	273,560
Restitution	2,355
Interest	9
	9
Total revenues	401,657
 EXPENDITURES	
Judicial:	
Salaries	273,809
Fringe benefits and payroll taxes	61,115
Contract labor	606
Legal and professional	50,474
Bank Fees	599
Continuing education	7,850
Telephone and postage	138
Travel	11,702
Supplies and miscellaneous	8,894
Dues and subscriptions	4,701
Meals and entertainment	727
Service Contracts	
Probation Fees	3,000
Capital Outlay	-
Seminars and conventions	1,200
	1,200
Total expenditures	424,815
 (Deficiency) of revenues over expenditures	(23,158)
 EXTRAORDINARY ITEM	
Litigation claims contingency	(8,250)
Total extraordinary items	(8,250)
 Net change in fund balance	(31,408)
 Fund balances - beginning	42,444
 Fund balances - ending	\$ 11,036

The accompanying notes are an integral part of this financial statement.

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - governmental funds	\$	(31,408)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for Capital assets	-	
Current year's depreciation	<u>(2,551)</u>	<u>(2,551)</u>
Change in net position of government activities	\$	<u><u>(33,959)</u></u>

The accompanying notes are an integral part of this financial statement.

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 50,533
	<hr/>
Total assets	<u>50,533</u>
	<hr/>
LIABILITIES	
Liabilities:	
Bond forfeitures pending disbursement	21,632
Due to litigants and others	28,901
	<hr/>
Total liabilities	\$ <u>50,533</u>

The accompanying notes are an integral part of this financial statement.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The City Court of Bogalusa (a component unit of the City of Bogalusa) is a court of limited jurisdiction created under the authority of Louisiana Revised Statutes (RS) 13:1952 and serves Ward 4 of Washington Parish, Louisiana in civil, criminal, and juvenile judicial proceedings.

The Court's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Court are discussed below.

Reporting Entity

According to Governmental Accounting Standards Board Statement (GASBS) No. 14 as amended by GASBS No. 61, the City of Bogalusa (the City) is the financial reporting entity for the Court. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Even though the City Court Judge is an independently elected official, and is legally separate from the City, the Court is considered a component unit of the City because of fiscal dependence. The City provides the courtroom and office space for the Court. The City also pays retirement and a portion of the salaries for the Court's clerks. The accompanying financial statements present information only on the funds maintained by the Court, and do not present information on the City, the general governmental services provided by the City, or the other governmental units that comprise the financial reporting entity of the City.

Basic Financial Statements – Government-Wide Statements

The Court's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Court's general operations are classified as governmental activities. The Court's collections specifically related to civil, criminal, and bonding cases are classified as fiduciary activities and are not included in the government-wide financial statements.

In the government-wide Statement of Net Position the Court's operating activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-Wide Statements (continued)

The government-wide Statement of Activities reports both the gross and net cost of the Court's functions. The functions are also supported by general government revenues (fees, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by any related program revenues, operating and capital grants. Program revenues must be directly associated with the function (court operations). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenue (fees, intergovernmental revenues, interest income, etc) and the Court does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Court as an entity and the change in the Court's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Court are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its applicable assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Court's only major fund is the general fund. There are no non-major funds in the fund financial statements. A description of the types of funds utilized by the Court is as follows:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Court reports these major governmental funds and fund types:

The general fund is the Court's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

The activities reported in this fund are included as governmental activities in the government-wide financial statements.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Financial Statements (continued)

Fiduciary (Agency) Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Court programs. The reporting focus is on the assets held for others and liabilities to those other parties. These funds do not report net position. Agency funds utilize accounting principles similar to that found in the private sector which employ full accrual accounting.

The Court's fiduciary funds are presented in the fiduciary fund financial statements by type (agency only). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Civil Fund - The civil fund maintains deposits made by plaintiffs who file civil suits. These deposits are recorded as a liability. The court acts only as a collection agent for fees and settlements in civil matters. As the suits are processed, the various fees and settlements collected are paid out on a monthly basis. After a case is dismissed, any excess deposit is refunded to the plaintiff.

Garnishments from civil suits are also maintained within the civil fund. Payments from third parties are received by the clerk and disbursed to the plaintiff. The activity in this account is not reflected in a statement of revenues collected and expenditures paid, but rather as an increase or decrease in cash and a corresponding change in liability.

Bond Fund - The bond fund is used to account for the collection and ultimate disposition of bonds posted by citizens who have been issued citations for traffic violations or arrested for criminal offenses. Bonds posted by violators are held until their cases are heard in the City Court of Bogalusa. At that time, the bonds for persons convicted of violations may be distributed to various agencies if the person elects to have their bond used for payment of fines. Otherwise, the bond is refunded to the defendant.

Criminal Fund - The criminal fund is used to account for the collection and disbursement to various agencies of monies paid to the Court for citations or criminal charges issued to defendants.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements (the Court's general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available.

Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Financial Statement Amounts

Cash and Investments:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the Court may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. The Court is allowed, under state law, to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. The Court invests in certificates of deposit.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. 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:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 – 20 years

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Compensated Absences:

The salaries of Court employees are the responsibility of the City of Bogalusa. All related accruals for wages, vacations, or sick pay are reported on the City's financial statements.

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 of resources less deferred inflows of resources related to those assets.
- Restricted net position—consist of assets that are restricted by outside parties or sources such as creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by contributors.
- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by law. Commitments may be established, modified, or rescinded only with approval of the highest decision making body for budgetary purposes.
- Assigned—Amounts that are designated for a particular purpose but are not spendable until a formal action by the Judge has been made.
- Unassigned—All amounts not included in other spendable classifications.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Use of Restricted Resources:

When an expense or expenditure is incurred that can be paid using either restricted or unrestricted resources (net position), the Court's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Court's policy 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.

Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related net cost as a reimbursement. All other interfund transactions are treated as transfers.

Estimates:

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

2. Stewardship, Compliance, and Accountability

The budget was prepared on the modified accrual basis of accounting. Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device.

3. Cash and Cash Equivalents

At December 31, 2016, the Court's general fund had cash and cash equivalents (book balance) totaling \$42,529 in non-interest bearing demand deposits through a local bank.

At December 31, 2016, the Court maintained cash (book) balances of \$50,533 in the agency funds, which were held in deposit accounts through a local bank as follows:

Interest bearing demand deposits	\$ 31,567
Non-interest bearing demand deposits	<u>18,966</u>
Total cash - agency funds	<u><u>\$ 50,533</u></u>

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

3. Cash and Cash Equivalents (continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At December 31, 2016, the Court's deposits were secured from risk by federal deposit insurance.

4. Capital Assets

A summary of the capital asset and accumulated depreciation activity and the current year depreciation follows:

	<u>Balance</u> <u>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2016</u>
Governmental activities:				
Capital assets being depreciated				
Equipment	\$ 25,127	\$ -	\$ -	\$ 25,127
Total capital assets being depreciated	<u>25,127</u>	<u>-</u>	<u>-</u>	<u>25,127</u>
Less accumulated depreciation for:				
Equipment	<u>(19,865)</u>	<u>(2,551)</u>	<u>-</u>	<u>(22,416)</u>
Total accumulated depreciation	<u>(19,865)</u>	<u>(2,551)</u>	<u>-</u>	<u>(22,416)</u>
Capital assets being depreciated, net	<u>\$ 5,262</u>	<u>\$ (2,551)</u>	<u>\$ -</u>	<u>\$ 2,711</u>

For the year ended December 31, 2016, depreciation expense was \$2,551. The Court purchased no new assets.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

5. On Behalf Payments and Expenses Paid by Other Governmental Entities

GASB Statement 24 establishes accounting and financial reporting standards for pass-through grants, food stamps, and on-behalf payments for fringe benefits, salaries, and other expenses. The following amounts were paid on-behalf of the Court for employee salaries and fringe benefits and other expenses for the Court during 2016:

Revenue:	
City of Bogalusa	\$ 175,120
State of Louisiana	53,961
Washington Parish Government	<u>44,479</u>
Total	<u><u>\$ 273,560</u></u>

In accordance with Statement No. 24, these compensation payments are included as revenue and expenditures in the accompanying financial statements.

6. Pension Plans

Clerks

Plan Description. City of Bogalusa Employees' Retirement System (COBERS) is a single-employer defined benefit pension plan that covers appointive officers and permanent employees of the City. The Court clerks participate in this plan. COBERS provides retirement, disability, and death benefits to plan members and their beneficiaries. COBERS financial statements are included in the basic financial statements of the City of Bogalusa. The financial report may be obtained by writing the City of Bogalusa Employees' Retirement System, Post Office Box 1179, Bogalusa, LA 70429-1179.

Funding Policy. Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the year ended December 31, 2016, the City contributed 11% of covered salaries, or \$11,621.

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

8. Changes in Agency Funds

The financial activity of agency funds does not represent revenues and expenditures of the Court, and as such, is not included in the general fund statement of revenues, expenditures, and changes in fund balance. These agency funds are used to account for the assets held by the Court in a fiduciary capacity and consist of cash on deposit for legal cases appearing before the Court that will be disbursed to fund certain costs of the case or returned to the parties involved upon resolution of the related litigation, citations, etc. Each case's balances and activity are accounted for separately but are reported in the aggregate within the Agency Fund Statement of Asset and Liabilities as amounts due litigants and others.

Activity for the year within the amounts due litigants and others account is summarized as follows:

	Civil Fund	Bond Fund	Criminal Fund	Total
Balance as of 12/31/15	\$ 28,421	\$ 16,995	\$ 48,850	\$ 94,266
Collections	108,002	154,463	459,991	722,456
Settlements		(135,087)	(489,877)	(624,964)
Bond forfeitures pending disbursement	-			-
Transfers to/from other funds	(119,593)	(21,632)		(141,225)
Balance as of 12/31/16	<u>\$ 16,830</u>	<u>\$ 14,739</u>	<u>\$ 18,964</u>	<u>\$ 50,533</u>

CITY COURT OF BOGALUSA
(A Component Unit of the City of Bogalusa, Louisiana)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

9. Contingency

On June 21, 2016, a lawsuit was filed against the Court in the matter of Ebony Roberts, Rozzie Scott, Latasha Cook, and Robert Levi vs Robert J. Black, in his individual and official capacities, and Bogalusa City Court, Case 2:16-cv-11024, in the United States Court for the Eastern District of Louisiana). It calls into question some of the fees and costs that are deposited into the Court's judicial expenditure fund. Subsequently, on May 23, 2017, the City Court partially settled the case and will issue a \$50 refund to anyone who paid an extension fee of that amount when they were given additional time to pay fines and court costs on or after June 21, 2015. The court has estimated approximately 165 cases where the extension fee was paid after this date. The estimated liability for this is \$8,250. A liability has been recorded on the balance sheet as an accrued litigation claims payable.

10. Subsequent Events

Subsequent events have been evaluated by management through June 29, 2017, the date the financial statements were available to be issued and these financial statements considered subsequent events through such date.

As described in Note 9, on May 23, 2017, the City Court partially settled the case of Ebony Roberts, Rozzie Scott, Latasha Cook, and Robert Levi vs Robert J. Black, in his individual and official capacities, and Bogalusa City Court, Case 2:16-cv-11024, in the United States Court for the Eastern District of Louisiana). The Court will issue a \$50 refund to anyone who paid an extension fee of that amount when they were given additional time to pay fines and court costs on or after June 21, 2015. The estimated amount of this partial settlement is \$8,250.

CITY COURT OF BOGALUSA
(a Component Unit of the City of Bogalusa, Louisiana)

GOVERNMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Court fees	\$ 99,000	\$ 142,211	\$ 125,733	\$ (16,478)
Intergovernmental	291,000	282,245	273,560	(8,685)
Restitution	-	-	2,355	2,355
Interest	10	6	9	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	390,010	424,462	401,657	(22,805)
EXPENDITURES				
Judicial:				
Salaries	282,150	272,134	273,809	(1,675)
Fringe benefits and payroll taxes	66,000	54,765	61,115	(6,350)
Contract labor	300		606	(606)
Legal and professional	9,100	22,907	50,474	(27,567)
Bank Fees	-	719	599	120
Continuing education	900	9,420	7,850	1,570
Telephone and postage	60		138	(138)
Travel	10,000	8,899	11,702	(2,803)
Supplies, repairs and maintenance, miscellaneous	4,900	2,959	8,894	(5,935)
Dues and subscriptions	4,800	4,561	4,701	(140)
Meals and entertainment	900	199	727	(528)
Service Contracts			-	-
Probation Fees	3,000	3,000	3,000	-
Capital Outlay	1,500		-	-
Seminars and conventions	6,400	450	1,200	(750)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	390,010	380,014	424,815	(44,801)
(Deficiency) of revenues over expenditures	-	44,448	(23,158)	(67,606)
EXTRAORDINARY ITEM				
Litigation claims contingency	-	-	(8,250)	(8,250)
Total extraordinary items	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(8,250)	(8,250)
Excess (deficiency) of revenues over expenditures	-	44,448	(31,408)	(75,856)
Fund balances - beginning	<hr/>	<hr/>	<hr/>	<hr/>
	42,444	42,444	42,444	-
Fund balances - ending	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 42,444	\$ 86,892	\$ 11,036	\$ (75,856)

See independent auditor's report.

CITY COURT OF BOGALUSA
(a component Unit of the City of Bogalusa, Louisiana)

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Fiscal Year Ending December 31, 2016

Agency Head: Honorable Robert J. Black, Judge

Compensation	115,280
Fringe Benefits-Insurance	7,890
Employer Provided Medicare Taxes	1,672
Business Meals	169
Seminars	1,275
Continuing Education	1,345
Travel	7,584
Total	<u>135,214</u>

Compensation & fringe benefit includes expenditures paid through the Court and on-behalf payments.
See Note 5 for more detail related to on-behalf payments.

See independent auditor's report.

Minda B. Raybourn

*Certified Public Accountant
Limited Liability Company*

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@franklinton.net

Member
AICPA

Member
LCPA

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*

To the Honorable Robert J. Black, Judge
City Court of Bogalusa
Bogalusa, Louisiana

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 City Court of Bogalusa, a component unit of the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City Court of Bogalusa's basic financial statements and have issued my report thereon dated June 28, 2017.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City Court of Bogalusa'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 the City Court of Bogalusa's internal control. Accordingly, I do not express an opinion on the effectiveness of the City Court of Bogalusa'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. I consider the deficiency described in the accompanying schedule of findings and responses (2016-2) to be a material weakness

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. I consider the deficiency described in the accompanying schedule of findings and responses (2016-1) to be a significant weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court of Bogalusa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and responses (2016-3).

City Court of Bogalusa's Response to Findings

City Court of Bogalusa's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City Court of Bogalusa'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.

Minda Raybourn

Franklinton, LA

June 29, 2017

City Court of Bogalusa
(A Component Unit of the City of Bogalusa, Louisiana)

Summary of Current Year Audit Findings
(For the Year Ended December 31, 2016)

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No

- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? X Yes No

Internal Control Findings

2016-1 Financing Reporting

CRITERIA: Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

CONDITION AND CAUSE: As common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Court’s annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with the notes, in accordance with generally accepted accounting principles have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued auditing standards require that I report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

POTENTIAL EFFECT OF CONDITION: The financial reports will not be presented in accordance with generally accepted accounting principles.

RECOMMENDATION: As mentioned in the condition, whether or not it would be cost effective to cure a control deficiency is not a factor in applying auditing standards’ reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies an auditor reports under the auditing standards. In this case, I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action necessary.

City Court of Bogalusa
(A Component Unit of the City of Bogalusa, Louisiana)

Summary of Current Year Audit Findings
(For the Year Ended December 31, 2016)

CLIENT RESPONSE: In response to this finding, the Court feels that is a prudent use of funds to engage the auditor to prepare the Court's annual financial reports. We therefore agree with the auditor's recommendation that no corrective action is necessary.

2016-2 Payroll Earnings and Reporting

CRITERIA: Management is responsible for ensuring that all wages earned by employees are properly reflected in the payroll records and have tax liabilities withheld and reported to the appropriate taxing authorities.

CONDITION AND CAUSE: There were three payroll checks to three different court employees totaling \$5,000 that were not ran through the Court's payroll system. Taxes were not withheld and reported as required by federal and state payroll tax laws.

POTENTIAL EFFECT OF CONDITION: Violation of various federal and state tax laws.

RECOMMENDATION: The Court should immediately stop circumventing the payroll system when issuing checks for wages to employees. Instead, all payments for wages to employees should be run through the Court's payroll system.

CLIENT RESPONSE: In response to this finding, the Court will agree to the recommendation.

Compliance Finding

2016-3 Local Government Budget Act

CRITERIA: The state local government budget act dictates that actual expenditures cannot exceed budgeted expenditures by more than 5%.

CONDITION AND CAUSE: The Court actual expenditures exceed budgeted expenditures by 14%.

POTENTIAL EFFECT OF CONDITION: Violation of State Law.

RECOMMENDATION: The Court should periodically review interim finance data compared to the budget and amend the budget accordingly.

CLIENT RESPONSE: The Court revised it budget near year-end so that the budget might reflect the revenues and expenditures projected to occur at year's end, as required by the Local Government Budget Act (R.S. 39:1311). It is acknowledged that the expenditure budget exceeded the budgeted amount by more than five percent. However, this was mostly due to legal fees exceeding budgeted amounts by \$27,567 and the accrual of a litigation claims contingency of \$8,250. This was due to the contingency as described in Note 9. However, those expenditures that the Court directly controls fell within five percent of the amended budget.

City Court of Bogalusa
(A Component Unit of the City of Bogalusa, Louisiana)

Summary of Current Year Audit Findings
(For the Year Ended December 31, 2016)

**Summary Status of Prior Year Findings
(For the Year Ended December 31, 2015)**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No

- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Internal Control Findings

Internal Control Findings

2015-1

CRITERIA: Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

CONDITION AND CAUSE: As common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Court’s annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with the notes, in accordance with generally accepted accounting principles have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued auditing standards require that I report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

POTENTIAL EFFECT OF CONDITION: The financial reports will not be presented in accordance with generally accepted accounting principles.

RECOMMENDATION: As mentioned in the condition, whether or not it would be cost effective to cure a control deficiency is not a factor in applying auditing standards’ reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be

City Court of Bogalusa
(A Component Unit of the City of Bogalusa, Louisiana)

Summary of Current Year Audit Findings
(For the Year Ended December 31, 2016)

practical to correct all deficiencies an auditor reports under the auditing standards. In this case, I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action necessary.

CLIENT RESPONSE: In response to this finding, the Court feels that is a prudent use of funds to engage the auditor to prepare the Court's annual financial reports. We therefore agree with the auditor's recommendation that no corrective action is necessary.

STATUS: This finding is an ongoing issue.