

**Pineville City Court
Pineville, Louisiana**

Audited Financial Statements

For the Year Ended December 31, 2016

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Independent Auditor's Report

To the Honorable Judge Gary Hays
Pineville City Court Judge
Pineville, Louisiana

Report on the Financial Statements

We have audited the accompanying Statement of Net Position and Balance Sheet-Governmental Funds of the Pineville City Court, as of and for the year ended December 31, 2016 and the related notes to the financial statements. We were engaged to audit the Statement of Activities, and The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance. These financial statements 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

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, we 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.

Except for the matter described in the “*Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance*” we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

The December 31, 2015 financial statements were audited by another CPA firm. The predecessor auditor was unable to produce any audit documentation to support the balances for the year ended December 31, 2015. In addition, the predecessor auditor disclaimed an opinion of the December 31, 2015 financial statement in his report dated June 25, 2016.

Disclaimer of Opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

Because of the significance of the matter described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance for the year ended December 31, 2016. Accordingly, we do not express an opinion on the Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance for the year ended December 31, 2016.

Unmodified Opinion

In our opinion, Statement of Net Position and the Balance Sheet-Governmental Funds, present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Pineville City Court as of December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States require to be presented to supplement the basic 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 an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information included on page 29 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. We 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pineville City Court's basic financial statements. The schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer included on page 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the Pineville City Court's internal control over financial reporting and on our 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 our 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 Pineville City Court's internal control over financial reporting and compliance.

Oestriecher & Company

OESTRIECHER & COMPANY
Certified Public Accountants
Alexandria, Louisiana

June 26, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Pineville City Court
Statement of Net Position
December 31, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 348,304	\$ -	\$ 348,304
Capital assets, net of accumulated depreciation	61,705	-	61,705
Total assets	410,009	-	410,009
DEFERRED OUTFLOWS OF RESOURCES	221,595	-	221,595
<u>Liabilities</u>			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
Long term liabilities			
Pension liability	276,331	-	276,331
Total liabilities	276,331	-	276,331
DEFERRED INFLOWS OF RESOURCES	19,421	-	19,421
<u>Net Position</u>			
Net investment in capital assets	61,705	-	61,705
Restricted for building maintenance\improvements	86,023	-	86,023
Unrestricted net position	188,124	-	188,124
Total net position	\$ 335,852	\$ -	\$ 335,852

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

**Pineville City Court
Statement of Activities
For The Year Ended December 31, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES							
Primary Government							
Governmental activities	\$ 415,748	\$ 378,891	\$ -	\$ -	\$ (36,857)	\$ -	\$ (36,857)
Total governmental activities	<u>415,748</u>	<u>378,891</u>	<u>-</u>	<u>-</u>	<u>(36,857)</u>	<u>-</u>	<u>(36,857)</u>
 Total primary government	<u>\$ 415,748</u>	<u>\$ 378,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,857)</u>	<u>\$ -</u>	<u>\$ (36,857)</u>

General revenues:

Interest and investment earnings	125
Miscellaneous	<u>4,589</u>

Total general revenues and transfers 4,714

Change in net position \$ (32,143)

Net position-beginning of year 367,995

Net position-ending of year \$ 335,852

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

FUND FINANCIAL STATEMENTS

**Pineville City Court
Balance Sheet
Governmental Funds
December 31, 2016**

	General Fund	Judicial Building Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 262,281	\$ 86,023	\$ 348,304
Due from other funds	-	-	-
Total assets	\$ 262,281	\$ 86,023	\$ 348,304
 <u>Liabilities and fund balance</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balance:			
Restricted	-	86,023	86,023
Unassigned	262,281	-	262,281
Total fund balances	262,281	86,023	348,304
Total liabilities and fund balances	\$ 262,281	\$ 86,023	\$ 348,304

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

**Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Position
December 31, 2016**

Total fund balance-total governmental funds		\$ 348,304
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (government-wide financial statements) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>		
Cost of assets	310,966	
Accumulated depreciation	<u>(249,261)</u>	
		61,705
<p>Pension liabilities and related deferred inflows and outflow of resources are not reported in the governmental funds but are reported in the government-wide financial statements</p>		
Pension liability	(276,331)	
Deferred inflows of resources	(19,421)	
Deferred outflows of resources	<u>221,595</u>	
		<u>(74,157)</u>
Total net position of governmental activities (government-wide financial statements)		<u><u>\$ 335,852</u></u>

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

Pineville City Court
Statement of Revenues, Expenditures, and Changes
in Fund Balances-Governmental Funds
For the year ended December 31, 2016

	General Fund	Judicial Building Fund	Total Governmental Funds
Revenues:			
Court costs	\$ 162,301	\$ 39,494	\$ 201,795
Probation fees	177,095	-	177,095
Interest income	125	-	125
Miscellaneous	4,539	-	4,539
Total revenues	<u>344,060</u>	<u>39,494</u>	<u>383,554</u>
Expenditures:			
Current:			
General Fund	303,002	-	303,002
Building Fund	-	28,182	28,182
Capital outlay	-	21,259	21,259
Total expenditures	<u>303,002</u>	<u>49,441</u>	<u>352,443</u>
Excess (deficiency) of revenues over expenditures	41,058	(9,947)	31,111
Other financing sources (uses)			
Transfers (to) from other funds	-	-	-
Fund balances, beginning	221,223	95,970	317,193
Fund balances, ending	<u>\$ 262,281</u>	<u>\$ 86,023</u>	<u>\$ 348,304</u>

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

**Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the year ended December 31, 2016**

Net changes in fund balances-total governmental funds (fund financial statements)	\$ 31,111
 Amounts reported for <i>governmental activities</i> in the statement of activities (government-wide financial statements) are different because:	
 Governmental funds report capital outlays as expenditures in the individual fund. Government activities report depreciation expense to allocate the cost of those capital assets over the estimated useful life.	
Capital expenditures	21,260
Depreciation expense	(10,357)
 Differences between the amounts reported as an expense in the statement of activities and those reported as an expense in the fund financial statements	
Pension expense	(74,157)
 Change in net position of governmental activities (government-wide financial statements)	 <hr/> <u>\$ (32,143)</u>

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

Pineville City Court
Statement of Fiduciary Net Assets-Fiduciary Fund

December 31, 2016

	Civil Fees Fund	Criminal Bonds Fund	Appeal Bonds Fund	Total
<u>Assets</u>				
Cash	\$ 513,870	\$ 2,061	\$ 18,570	\$ 534,501
Total assets	<u>\$ 513,870</u>	<u>\$ 2,061</u>	<u>\$ 18,570</u>	<u>\$ 534,501</u>
<u>Liabilities and Net Assets</u>				
Amounts held for disposition	<u>\$ 513,870</u>	<u>\$ 2,061</u>	<u>\$ 18,570</u>	<u>\$ 534,501</u>
Total liabilities	<u>\$ 513,870</u>	<u>\$ 2,061</u>	<u>\$ 18,570</u>	<u>\$ 534,501</u>

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

NOTES TO FINANCIAL STATEMENTS

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

Introduction

The financial statements of the Pineville City Court have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Court's accounting policies are described below.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. Reporting Entity

Pineville City Court (the Court), a component unit of the City of Pineville, Louisiana, was established under the authority of Louisiana Revised Statutes 13:1871-2512. Its territorial jurisdiction extends throughout Wards 9, 10, and 11 of Rapides Parish in which the city of Pineville is located. The Court is composed of a City Judge (elected) and a clerk of court (appointed by the City Judge).

Funds flowing through the Court consist mainly of court costs and penalties in criminal cases, probation fees, and deposits in civil cases. In all criminal matters, the judge assesses court costs in accordance with state statutes. The judge uses these revenues to defray the operating expenses of the court or for the payment of clerical fees and similar expenditures as approved by the judge.

The financial statements of the Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and interpretations), constitutes GAAP for governmental units.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable.

Pineville City Court
Notes to Financial Statements

For Year Ended December 31, 2016

Some of the criteria considered under “legally separate organization” are: (1) the capacity for the organization to have its own name; (2) the right for the organization to sue and be sued in its own name without recourse to the primary government; and (3) the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to be considered “financially accountable” include: (1) appointment of a voting majority impose its will on the organization; (3) potential to provide specific financial benefits to or improve specific financial burdens on the primary government; and (4) fiscal dependence of the organization.

The judge is an independently elected official that has the ability to exercise accountability for fiscal matters. The Court is fiscally dependent on the City of Pineville for office space, courtrooms, and related utility costs, as well as partial funding or salary costs. Because the Court is fiscally dependent on the City of Pineville, the Court was determined to be a component unit of the City of Pineville, the financial reporting entity. However, the Court is a separate reportable entity from the City of Pineville because it is essentially an autonomous unit.

The accompanying financial statements present information only on the funds maintained by the Court and do not present information on the City of Pineville, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Governmental Funds –

General Fund - The General Fund is the general operating fund of Pineville City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund – Fees are collected from each suit that comes through the court. These fees are used at the Judge’s discretion to pay for building and equipment upkeep. The net position of the Building Fund is restricted.

Fiduciary Funds –

Agency Funds - Agency funds are used to account for assets held by Pineville City Court as an agent for other governmental departments, other organizations and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

Civil Fees Fund - Advance court costs are 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 in civil matters. As the suits are processed, the various fees earned are paid out on a monthly basis. Thus, the activity in this account is not reflected in the statement of revenues collected and expenditures paid. After a case is dismissed, any excess deposit is refunded to the plaintiff.

Criminal Bonds Fund - 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 Pineville City Court. At that time, the bonds for persons convicted of violations are distributed to various agencies.

Appeals Bonds Fund – This fund is used to account for cash bonds posted by defendants that have appealed the outcome of their case.

B. Basis of Presentation

The Court's basic financial statements consist of Government-Wide Financial Statements which include a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for Pineville City Court as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities from business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

C. Fund Financial Statements

The Court uses the funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all or most of the Court's 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 that may be used to finance future period programs or operations of the Court. The fund balances are classified into five possible categories which focus on the constraints of spending. The categories are non-spendable, restricted, committed, assigned, and unassigned. The following are the Court's governmental funds:

General Fund

The General Fund, as provided by state law, is the principal fund of the Court and accounts for the operations for the Court's office. The various fees and charges due to the Court's office are accounted for in this fund. General operating expenditures are paid from this fund.

Building Fund

The Building Capital projects Fund accounts for court fees assessed under Revised Statute 13:1910. All monies collected under this statute are dedicated exclusively to the acquisition, leasing, construction, equipping, and maintenance of new and existing city courts and for the maintenance and payment of any bond indebtedness on any such existing facilities. Management plans to use these fees for acquisition of equipment and building renovations and improvements.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

Fiduciary Funds

Fiduciary funds account for assets held on behalf of outside parties, and focuses on Net Position and changes in Net Position.

The fiduciary fund includes the following:

Agency Funds

All agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, but use the modified accrual basis of accounting. The agency funds the court maintains are the following: civil fees, criminal bonds, fines and court costs and appeal bonds.

D. Measurement Focus/Basis of Accounting

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements report using the same focus and basis of accounting.

Governmental fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Fiduciary fund revenues and expenses or expenditures (as appropriate) should be recognized on the basis consistent with the fund's accounting measurement objective. The Pineville City Court has three fiduciary funds, all of which are agency funds and are purely custodial and thus do not involve measurement of results of operations.

Fund Balances – Fund Financial Statements

City Court of Pineville adopted the provisions of GASB 54 related to the classification of the governmental fund balances. The governmental fund balances are classified as follows:

Pineville City Court
Notes to Financial Statements

For Year Ended December 31, 2016

Restricted – Restricted fund balances are amounts that are constrained for a specific purpose through restrictions of external parties or by constitutional provision or enabling legislation.

Unassigned - Unassigned fund balances is the residual classification and includes all amounts that are not restricted or constrained in any other classification of fund balance.

E. Cash and Cash Equivalents

Under state law, the Court should deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Cash consisted of amounts in demand deposit accounts.

In the governmental fund and agency funds, cash and cash equivalents include amounts in all demand deposits, interest bearing demand deposits and time deposits with original maturities of three months or less from the date of acquisition.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from/to other funds in the fund financial statements. These interfund receivables/payables are eliminated for reporting in the Statement of Net Position.

G. Capital Assets

In the Government-Wide Financial Statements, capital assets are capitalized and depreciated on a straight-line method over their estimated useful lives. The Court has adopted a capitalization threshold of \$250 for reporting purposes. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets, if any, are valued at their estimated fair market value on the date received. Expenditures that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized, whereas expenditures for repairs and maintenance are expensed.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture & Equipment	7-10 years
Office Equipment	3-7 years
Records Storage Building	15 years
Leasehold Improvements	39 years

In the Fund Financial Statements, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. No provision is made for depreciation on capital assets in the Fund Financial Statements since the full cost is recorded as expenditures at the time of purchase.

H. Interfund Transactions

In the government funds, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

2. CASH

At December 31, 2016, the Court has cash and cash equivalents (book balances) totaling \$882,805 as follows:

	<u>Governmental Activities Fund</u>	<u>Agency Funds</u>
Demand deposits including		
interest bearing demand deposits	<u>\$348,304</u>	<u>\$534,501</u>
Total	<u>\$348,304</u>	<u>\$534,501</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by the 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2016, the Court's governmental activities fund had \$350,632 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and no pledged securities held by the 3rd party custodial bank in the name of the Court (GASB Category 1). The agency funds had deposits (collected bank balances) of \$542,298 and were insured by the federal deposit insurance for \$250,000 and \$0 in pledged securities, (Category 2). The funds held by Capital One Bank exceeded the \$250,000 of FDIC Insurance and were not adequately secured by pledged securities.

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in event of the bank failure, the court's funds aren't returned. At year end the Court's deposits were not entirely covered by FDIC insurance or by collateral held by the Court or its agent in the Court's name due to the lack of security provided by Capital One Bank.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

3. CAPITAL ASSETS

A summary of property and equipment and accumulated depreciation at December 31, 2016 follows:

Property and Equipment

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Furniture & Equipment	\$ 250,706	\$ 21,260	\$ 0	\$ 271,966
Leasehold Improvements	<u>39,000</u>	<u>0</u>	<u>0</u>	<u>39,000</u>
Total	<u>\$ 289,706</u>	<u>\$ 21,260</u>	<u>\$ 0</u>	<u>\$ 310,966</u>

Accumulated Depreciation

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Furniture & Equipment	\$ 233,071	\$ 9,357	\$ 0	\$ 242,428
Leasehold Improvements	<u>5,833</u>	<u>1,000</u>	<u>0</u>	<u>6,833</u>
Total	<u>\$ 238,904</u>	<u>\$ 10,357</u>	<u>\$ 0</u>	<u>\$ 249,261</u>

4. COMPENSATED ABSENCES:

The Pineville City Court obligation for employees' rights to receive compensation for future absences (such as vacation) was not material as of December 31, 2016, and thus, is not recognized in the accompanying financial statements.

5. ECONOMIC DEPENDENCY:

All revenues of the Pineville City Court are derived from criminal and civil cases filed in the court system. Decrease in activity of the city court could result from declining population or a change in state law that could affect the ability of a municipal court to oversee civil and criminal cases.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

6. PENSION PLAN

The retirement contributions were filed and paid by the Pineville City Court to the Louisiana State Employees' Retirement System (LASERS), a cost sharing multiple-employer, public employee retirement system, controlled and administered by a separate board of trustees. Prior to fiscal year 2016, the City of Pineville filed and paid amounts to LASERS on behalf of the City Judge, therefore there were no pension amounts allocated to the Pineville City court in prior years. All state employees, except certain classes excluded by statute, become members of LASERS as a condition of employment unless they elect to continue as a contributing member in any other retirement system for which they are eligible for membership. Elected officials and officials appointed by the Governor may, at their option, become members of LASERS.

LASERS provides retirement, death, and disability benefits to plan members and beneficiaries. Benefits are established by state statute. The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, LA 70804-4213, by calling (800)256-3000, or by visiting www.laseronline.org.

Covered employees are required by state statute to contribute 13.0% of their salary to the plan. The court contributes an actuarially determined rate, which at year end was set at 39.3% of the member's annual salary through June 30, 2016 and 36.7% from July 1, 2016 through December 31, 2016. Contributions to LASERS for the 2016 were \$26,216.

General Information about the plan

All state employees, except those specifically excluded by statute, become members of the System's Defined Benefit Plan (DBP) as a condition of employment, unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials, including the judge of the Pineville City Court, and officials appointed by the Governor may, at their option, become members of LASERS. Most members of the plan may retire and receive benefits in accordance with the following:

- Any age with 30 or more years of creditable service
- Age 60 with a minimum of 10 years creditable service
- Any age with 20 years of creditable service with an actuarially reduced benefit
- At any age with 10 years or more of creditable service due to disability
- Survivor's benefits require 5 years of creditable service at death of member

The basic annual retirement benefit is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Average compensation is the member's

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

average annual compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. 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. For members hired after July 1, 2006, average compensation is based on the average annual compensation for the highest 60 consecutive months of service. 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.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources:

As of December 31, 2016, the Court reported a total of \$276,331 for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Court's proportionate share of the net pension liability was based on a projection of the Court's long-term contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Court's proportionate share of the plan was .0035191%.

The court recognized pension expense in the statement of activities in the amount of \$100,374 for the year ended December 31, 2016.

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

The court reported deferred outflows of resources and deferred inflows of resources related to the pension plan as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred Inflows of resources</u>
Changes in proportion	\$ 160,801	\$ - 0-
Changes in proportionate contributions	0	16,858
Differences between expected and actual experience	160	2,563
Net difference between projected and actual earnings on pension plan investments	34,418	-0-
Court contributions subsequent to the measurement date	<u>26,216</u>	<u>-0-</u>
Total	<u>\$ 221,595</u>	<u>\$ 19,421</u>

The deferred outflows of resources related to pensions resulting from Court contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016 in the amount of \$26,216. 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 December 31

2017	\$ 77,267
2018	77,107
2019	13,373
2020	8,211

Actuarial Assumptions

Inflation	3.00%
Salary increases	3.00% to 5.50%
Investment rate of return	7.75%
Actuarial Cost Method	Entry Age Normal
Expected remaining service lives	3 years

Mortality rates for LASERS were based on the RP-2000 Employee Table for active members, Healthy Mortality Table for healthy annuitants and Disabled Retiree Mortality Tables for

**Pineville City Court
Notes to Financial Statements**

For Year Ended December 31, 2016

disabled annuitants. Rate assumptions for termination, disability, and retirement were based on experience studies performed on plan data for the period July 1, 2009 through June 30, 2013.

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the Court will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee, taking into consideration the recommendation of the System's actuary. Based on these assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the investment rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the of the Court's proportionate share of the net pension liabilities to changes in the discount rate:

The following presents the Court's proportionate shares of the net pension liabilities of the plans, calculated using the discount rates as shown above, as well as what the Court's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1%</u> <u>Increase</u>
\$ 339,499	\$276,331	\$222,659

Pension plan fiduciary net position:

Detailed information about the Plans' fiduciary net position is available in the separate issued LASERS 2016 Comprehensive Annual Financial Report at www.lasersonline.org.

7. RISK MANAGEMENT

The court is exposed to various risks of loss related to torts; damage to, theft of or destruction of assets, errors and omissions, injuries to employees and the public; and natural disasters. The City of Pineville carries commercial insurance including workers' compensation and employee health and accident insurance. In addition, the Court carries fidelity bonds on the clerks. No claims from these risks have exceeded commercial insurance coverage in any of the past three years.

Required Supplementary Information - Part II

Pension Information

Pineville City Court
Schedules of Required Supplementary Information - Pension
For the year ended December 31, 2016

Schedule of the Employer's Proportionate Share of the Net Pension Liability **Schedule 1**

Fiscal Year*	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered-employee payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2016	0.00352%	\$ 276,331	\$ 68,853	401%	62.7%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

*This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

Schedule of Employer Contributions **Schedule 2**

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Agency's covered-employee payroll	Contributions as a percentage of covered-employee payroll
Louisiana State Employees' Retirement System					
2016	\$ 26,216	\$ 26,216	-	\$ 68,853	38.1%

*Amounts presented were determined as of the end of the fiscal year.

*This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

Notes to Required Supplementary Information

Changes of Benefit Terms

There were no changes of benefit terms for the year ended June 30, 2016.

Changes of Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2016.

Supplementary Information – Part III

Schedule of Compensation

Pineville City Court
Schedule of Compensation, Benefits and Other Payments
To Agency Head or Chief Executive Officer
For the year ended December 31, 2016

Agency Head Name: Gary Hays
Position: Pineville City Judge

Salary – City of Pineville Payments	\$ 19,420
Salary – Pineville City Court Payments	49,433
Salary – Supreme Court Payments	47,417
Deferred Compensation (contributions made by the agency)	0
Benefits Insurance-Supreme Court	10,369
Benefits Long Term Care/Disability Insurance	0
Benefits Retirement - (Supreme Court)	18,012
Benefits Retirement- (Pineville City Court)	20,216
Benefits Retiree PPO ER Share (Supreme Court)	592
Car Allowance	0
Vehicle Provided by Government (Reported W-2 Amount)	0
Cell Phone	0
Dues	0
Vehicle Rental	0
Per Diem	826
Reimbursements	673
Travel	0
Registration Fees	600
Conference Travel	507
Conference Lodging	<u>2,200</u>
 Total	 <u>\$ 170,265</u>



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EMILE P. OESTRIECHER, III, CPA
KURT G. OESTRIECHER, CPA
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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 Gary Hays
Pineville City Court
Pineville, Louisiana

We were engaged to audit, 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 Pineville City Court, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Pineville City Court's basic financial statements and have issued my report thereon dated June 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Pineville City Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pineville City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pineville City Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current and prior year findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.



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. We consider the finding described in the accompanying schedule of year findings and questioned costs as item 2016-02 to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Pineville City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are reported as findings 2016-01 and 2016-03 in the Schedule of Findings and Questioned Costs.

Pineville City Court's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit Pineville City Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Oestriecher & Company

OESTRIECHER & COMPANY
Certified Public Accountants
Alexandria, Louisiana

June 26, 2017

Pineville City Court
Schedule of Findings and Questioned Costs
For the year ended December 31, 2016

Section I-Summary of Auditor's Reports

1. The auditor's report expresses an unqualified opinion on the Statement of Net Assets and the Balance Sheets-Governmental Funds. The auditor's report disclaims an opinion on the Statement of Activities, Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, and the Notes to the Financial Statements.
2. One material weakness disclosed during the audit of the basic financial statements are reported in the 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*.
3. Two instances of non-compliance were disclosed during the audit.

Section II - Financial Statement Findings

Finding 2016-1

Statement of Condition – Pineville City Court did not adopt a budget for the fiscal year ended December 31, 2016.

Criteria – Louisiana law requires the adoption of a budget.

Effect of condition – Pineville City Court did not comply with the budget law.

Cause of condition – The personnel at the Pineville City Court were not aware that an adopted budget was required.

Recommendation – Pineville City Court should adopt a budget for the fiscal year ended December 31, 2017 and place reminders on the annual calendar to adopt a budget each year in a timely manner.

Questioned costs – None

Finding 2016-2

Statement of Condition – Pineville City Court does not have adequate segregation of duties within the administrative office.

Criteria – A system of internal control procedures requires a segregation of duties so that no individual handles a transaction from start to finish.

Effect of condition – Lack of oversight that could lead to improperly recorded transactions.

Cause of condition – The small number of personnel employed by Pineville City Court.

Recommendation – Pineville City Court should monitor the assignment of duties to insure as much segregation of duties as possible.

Questioned costs – None

Finding 2016-3

Statement of Condition – The local depository selected by the Pineville City Court did not adequately secure deposits as required by LRS 39:1218.

Criteria – The local depository selected by a governmental entity is required under state law to adequately secure all deposits over \$250,000, the FIDC insured limit.

Effect of Condition – Pineville City Court had deposits that were at risk of loss due to a bank failure during 2016.

Cause of Condition – Pineville City Court was unaware that the local depository had not adequately secured the deposits.

Recommendation – Pineville City Court should immediately require the local depository to adequately secure the deposits, or choose another local depository that will comply with the law.

Questioned Costs – None

Section III – Federal Awards Findings and Questioned Costs

There were no federal awards.

**Pineville City Court
Pineville, Louisiana**

Year Ended December 31, 2016

MANAGEMENT'S CORRECTIVE ACTION PLAN

Pineville City Court respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of contact person: Judge Gary Hays, Pineville City Judge, 904 Main Street, Pineville, LA 71360

Name and address of independent public accounting firm: Oestriecher & Company, CPAs, 4641 Windermere Place, Alexandria, LA 71303

Audit period: January 1, 2016 through December 31, 2016.

The findings from the Schedule of Findings and Questions Costs are discussed below. The finding is numbered consistently with the number assigned in the schedule. The Summary of Audit Results does not include findings and is not addressed.

FINDINGS-FINANCIAL STATEMENT AUDIT

FINDING 2016-01

Condition: Pineville City Court did not adopt a budget for fiscal year 2016.

Recommendation: The Pineville City Court should immediately adopt a budget for the 2017 fiscal year and place reminders on the annual calendar to adopt

Response: The Pineville City Court has adopted a budget for the 2017 fiscal year and will comply with the budget law in future years.

FINDING 2016-02

Condition: Pineville City Court does not have adequate segregation of duties.

Recommendation: Consider the cost/benefit of hiring additional personnel.

Response: Pineville City Court does not consider the cost of hiring additional personnel as exceeding any benefit. Duties will be segregated as much as possible, with oversight from the Judge.

FINDING 2016-3

Condition: The local depository selected by the Pineville City Court did not adequately secure deposits as required by LRS 39:1218.

Recommendation: Immediately require the local deposit to adequately secure all deposits or choose another local depository that will comply with the law.

Response: Pineville City Court has contacted the local depository and is working with the depository to ensure that deposits are adequately secured.

Pineville City Court
Summary Schedule of Prior Audit Findings
For the year ended December 31, 2016

Section I - Internal Control and Compliance Material to the Financial Statements

Finding No 2015-1

The condition is resolved.

Section II - Internal Control and Compliance Material to Federal Awards

There were no federal awards in the year ended December 31, 2015.

Section III – Federal Awards Findings and Questioned Costs

There were no federal awards in the year ended December 31, 2015.