

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Financial Report

Year Ended June 30, 2016

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C Burton Kolder, CPA*
Russell F Champagne, CPA*
Victor R Slaven, CPA*
Gerald A Thibodeaux, Jr., CPA*
Robert S Carter, CPA*
Arthur R Mixon, CPA*
Brad E Kolder, CPA, JD*
Stephen J Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C Doucet, CPA
Wanda F Arcement, CPA, CVA
Bryan K Joubert, CPA
Matthew E Margaglio, CPA

Casey L Ardoin, CPA
Albert R Leger, CPA,PFS,CSA*
Marshall W Guidry, CPA
Stephen R Moore, Jr., CPA,PFS,CFP®,ChFC®*
James R Roy, CPA
Robert J Metz, CPA
Alan M Taylor, CPA
Kelly M Doucet, CPA
Mandy B Self, CPA
Paul L Delcambre, Jr., CPA
Jane R Hebert, CPA
Deidre L Stock, CPA
Karen V Fontenot, CPA
Tabby A LeMay, CPA
Seth C Norris, CPA

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Ibera, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandna, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O Chapman, CPA* 2006

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Honorable James Supple, Judge
City Court of the City of Franklin
Franklin, Louisiana

We have reviewed the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of City Court of the City of Franklin (hereinafter "City Court"), a component unit of the City of Franklin, as of and for the year ended June 30, 2016, which collectively comprise City Court's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of City Court. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibilities for the Financial Statements

The management of City Court is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9, errors in the financial statements as of June 30, 2015 were discovered by the management of City Court subsequent to the issuance of our report on those financial statements dated December 31, 2015. Accordingly, an adjustment has been made to net position and fund balance as of July 1, 2015 to correct the errors.

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison schedule that accounting principles generally accepted in the United States of America 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by this missing information.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 30, 2016

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 13,595
Due from other governmental units	<u>22,002</u>
Total current assets	35,597
Noncurrent assets:	
Capital assets, net	<u>16,390</u>
Total assets	<u>51,987</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,069
Due to other governmental units	<u>16,589</u>
Total liabilities	<u>26,658</u>
NET POSITION	
Net investment in capital assets	16,390
Unrestricted	<u>8,939</u>
Total net position	<u>\$ 25,329</u>

See accompanying notes and independent accountants' review report.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Statement of Activities
Year Ended June 30, 2016

Activities	Expenses	Program Revenues			Net (Expense)/Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	
Governmental activities:					
General government	<u>\$ 174,806</u>	<u>\$ 52,885</u>	<u>\$ 2,445</u>	<u>\$ 122,003</u>	\$ 2,527
General revenues:					
Interest and investment earnings					<u>47</u>
Change in net position					2,574
Net position - July 1, 2015, as restated					<u>22,755</u>
Net position - June 30, 2016					<u>\$ 25,329</u>

See accompanying notes and independent accountants' review report.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Balance Sheet
Governmental Fund
June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and interest bearing deposits	\$ 13,595
Due from other governmental units	<u>22,002</u>
Total assets	<u>\$ 35,597</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accrued liabilities	10,069
Due to other governmental units	<u>16,589</u>
Total liabilities	26,658
Fund balance:	
Unassigned	<u>8,939</u>
Total liabilities and fund balance	<u>\$ 35,597</u>

(continued)

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Balance Sheet (continued)
Governmental Fund
June 30, 2016

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

Total fund balance for the governmental fund at June 30, 2016		\$	8,939
Cost of capital assets at June 30, 2016	\$	70,989	
Less: Accumulated depreciation		<u>(54,599)</u>	<u>16,390</u>
Total net position of governmental activities at June 30, 2016		\$	<u>25,329</u>

See accompanying notes and independent accountants' review report.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2016

	<u>General Fund</u>
Revenues:	
Fees, charges and commissions -	
Court costs, fees, and fines	\$ 52,885
Intergovernmental	124,448
Interest income	<u>47</u>
Total revenues	<u>177,380</u>
 Expenditures:	
Current-	
General government-	
Operating services	163,840
Repairs and maintenance	780
Travel and other charges	7,266
Capital outlay	<u>14,993</u>
Total expenditures	<u>186,879</u>
 Net change in fund balance	 (9,499)
 Fund balance, beginning, as restated	 <u>18,438</u>
 Fund balance, ending	 <u>\$ 8,939</u>

(continued)

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)
Governmental Fund
Year Ended June 30, 2016

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Fund to the Statement of Activities

Total net change in fund balance for the year ended June 30, 2016 per
Statement of Revenues, Expenditures and Changes in Fund Balance \$ (9,499)

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.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 14,993	
Depreciation expense for the year ended June 30, 2016	<u>(2,920)</u>	
		<u>12,073</u>

Total change in net position for the year ended June 30, 2016 per
Statement of Activities \$ 2,574

See accompanying notes and independent accountants' review report.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Statement of Agency Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and interest-bearing deposits	\$ 148,367
Due from litigants	<u>15,573</u>
Total assets	<u>\$ 163,940</u>
LIABILITIES	
Due to litigants	\$ 131,133
Due to other governmental units	<u>32,807</u>
Total liabilities	<u>\$ 163,940</u>

See accompanying notes and independent accountants' review report.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements

INTRODUCTION

City Courts are created under the authority of LSA-RS 13:1871 et seq. The City Court of the City of Franklin (hereinafter “City Court”) accounts for the operation of the court’s office.

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of City Court conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

A. Financial Reporting Entity

The city court judge is an independently elected official. However, City Court is fiscally dependent on the City of Franklin for office space, courtrooms, and related utility costs, as well as partial funding of salary costs. Because City Court is fiscally dependent on the City, City Court was determined to be a component unit of the City of Franklin, the financial reporting entity. These financial statements report only the activities of City Court, the component unit.

B. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for City Court’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) court costs, fees, and fines paid by the recipients of services offered by City Court, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

Fund Financial Statements

City Court uses funds to maintain City Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of City Court are classified into two categories: governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for City Court operations, they are not included in the government-wide financial statements. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund of City Court is considered to be a major fund. The funds of City Court are described below:

Governmental Funds -

General Fund – This fund is the primary operating fund of City Court and accounts for the operations of City Court’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to City Court’s policy.

Fiduciary Funds -

Fiduciary funds reporting focuses on net position and changes in net position. The only funds accounted for in this category by City Court are agency funds. The agency funds account for assets held by City Court as an agent for litigants in civil suits, cash bonds for criminal proceedings, and fees held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting. The agency funds are as follows:

Fines and Costs Fund – accounts for the receipt and disbursement of bonds, fines, and costs from criminal proceedings to the appropriate governmental entity.

Advance Deposit Fund – accounts for advance deposits on suits filed by litigants.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded with the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

- a. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. Their operating statement presents sources and uses of available expendable financial resources during a given period. This fund uses fund balance as its measure of available expendable financial resources at the end of a period.
- b. The government-wide financial statement utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits includes all demand accounts, savings accounts, and certificates of deposits of City Court.

Under state law, City 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.

Investments

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

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

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 other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

Capital assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. City Court maintains a threshold level of \$500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office Furniture	5 years
Equipment	5 years

Fund equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

Governmental fund equity is classified as fund balance. Fund balance for the City Court's governmental fund is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other government.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Judge. The Judge is the highest level of decision-making authority for City Court. Commitments may be established, modified, or rescinded only through process verbal of the Judge.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City Court's adopted policy, only the Judge may assign amounts for specific purposes.
- e. Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, City Court considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, City Court considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Judge have provided otherwise in its commitment or assignment actions.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

E. Revenues, Expenditures, and Expenses

Revenues and fees

Revenues and fees, charges and commissions for services are recorded when City Court is entitled to the funds.

Interest on interest-bearing deposits is recorded or accrued as revenue when earned. Substantially all other revenues are recorded when received.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, governmental fund expenditures are classified by function and character.

F. Employee Retirement Benefits

Employees of City Court are included on the City of Franklin's payroll and participate in the same retirement systems as the employees of that entity.

(2) Cash and Interest-Bearing Deposits

At June 30, 2016, the City Court has cash and cash equivalents (book balances) totaling \$161,962 as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash on hand	\$ 50	\$ -	\$ 50
Demand deposits	13,545	148,367	161,912
Total	\$ 13,595	\$ 148,367	\$ 161,962

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security 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 deposits are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City Court's deposits may not be recovered or City Court will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2016, the City Court had \$194,333 in deposits (bank balances). These deposits are secured from risk by federal deposit insurance and therefore not exposed to custodial credit risk.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

(3) Capital Assets

The following is a summary of the changes in capital assets for the year:

	Balance, July 1, 2015	Additions	Deletions	Balance June 30, 2016
Furniture, fixtures, and equipment	\$ 55,996	\$ 14,993	\$ -	\$ 70,989
Less: accumulated depreciation	<u>51,679</u>	<u>2,920</u>	-	<u>54,599</u>
Net capital assets	<u>\$ 4,317</u>	<u>\$ 12,073</u>	<u>\$ -</u>	<u>\$ 16,390</u>

Depreciation expense for the year ended June 30, 2016 was charged to the general government function.

(4) Change in Fiduciary Fund's Unsettled Deposits

The following is a summary of the changes in unsettled deposits for the year:

	Balance, July 1, 2015	Additions	Reductions	Balance June 30, 2016
Fiduciary Fund Type - Agency Funds				
Advance deposit	\$ 95,368	\$ 86,911	\$ 51,146	\$131,133
Fines and costs	<u>5,641</u>	<u>150,051</u>	<u>122,885</u>	<u>32,807</u>
Totals	<u>\$ 101,009</u>	<u>\$ 236,962</u>	<u>\$ 174,031</u>	<u>\$163,940</u>

(5) On-Behalf Payments for Salaries and Benefits

GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires City Court to report on-behalf payments made by the City of Franklin to City Court's employees for salaries and related benefits. The basis for recognizing the revenues and expenditure payments is that the actual contribution is made by the City of Franklin and not by City Court. For 2016, the City of Franklin paid salaries and benefits to and for the City Judge, Civil Court Clerk, Criminal Court Clerk, and Deputy Clerk. On-behalf payments recorded as revenue and expenditures in the general fund financial statements for the year ended June 30, 2016 totaled \$122,003.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Notes to Financial Statements (continued)

(6) Compensation and Reimbursements Paid to Chief Officer

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Payments to and on behalf of the City Court's chief officer, Judge James Supple, for the year ended June 30, 2016 are as follows:

Wages	\$ 23,523
Benefits - Retirement	9,479
Wages and benefits paid by the City of Franklin on behalf of the City Court of Franklin	31,248
Reimbursements - Training	3,435
Reimbursements - Dues	535
Reimbursements - Travel	46
	<u>\$ 68,266</u>

(7) Expenditures of City Court Paid by the City of Franklin

The cost of some expenditures for the operation of City Court, as required by Louisiana Revised Statute 13:1889, is paid by the City of Franklin, Louisiana. Such expenditures are not included in the accompanying financial statements.

(8) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which City Court is bound to observe constraints imposed upon the use of the resources in the government funds. City Court has no constraints placed on fund balance for the major governmental fund, all of City Court's fund balance is classified as unassigned during the fiscal year ended June 30, 2016.

(9) Prior Period Adjustment

During 2016, it was determined that an error in the financial statements resulted in an understatement of June 30, 2015 previously reported cash and interest bearing deposits and fund balance of \$2,914. Accordingly, this amount was adjusted to restate fund balance as of the beginning of the year.

REQUIREMENTS OF THE *LOUISIANA GOVERNMENTAL AUDIT GUIDE*

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
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James R. Roy, CPA
Robert J. Metz, CPA
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Kelly M. Doucet, CPA
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Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Seth C. Norris, CPA

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

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Ville Platte, LA 70586
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Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandna, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable James Supple, Judge
City Court of the City of Franklin
Franklin, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the City Court of the City of Franklin (hereinafter "City Court") and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about City Court's compliance with certain laws and regulations during the period ended June 30, 2016, included in the accompanying *Louisiana Attestation Questionnaire*. The management of City Court is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2296 (the public bid law).

No expenditures were made during the year that exceeded \$30,000, nor were there any expenditures for public works made during the year that exceeded \$150,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain a list of your immediate family members as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of you and all employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management were also included on the listing obtained from management as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management was unable to provide us with a copy of the original budget. There were no indications that a budget was adopted for the year ended June 30, 2016. See schedule of findings for reporting of related compliance finding.

6. Trace the budget adoption to adoption instruments.

No evidence was obtained indicating that an operating budget was adopted.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by five percent (5 %) or more or if actual expenditures exceed budgeted amounts by five percent (5%) or more.

We were unable to compare actual revenues and expenditures to budgeted revenues and expenditures as management was unable to provide us with a copy of a properly adopted operating budget for the year. See schedule of findings for reporting of related compliance finding.

Accounting and Reporting

8. Randomly select six (6) disbursements made during the period under examination and: (a) trace payments to supporting documentation as to proper amount and payee, (b) determine if payments were properly coded to the correct fund and general ledger account, and (c) determine whether payments received approval from proper authorities.

We examined supporting documentation for each of the six selected disbursements and found that payments were for the proper amounts, made to the correct payees, and properly coded to the correct funds and general ledger accounts.

Debt

9. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of banks loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

10. Examine payroll records for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

We inspected payroll records for the year and noted no instances, which would indicate payments to employees that would constitute bonuses, advances, or gifts.

Prior Comments and Recommendations

11. Review any prior year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

Our report dated December 31, 2015 included comments pertaining to segregation of duties and noncompliance with RS 39:1311 regarding budget adoption.

The segregation of duties finding is due to the size of City Court and the number of personnel and may not be economically feasible to correct. The comment is reiterated herein.

Noncompliance with the Local Government Budget Act, primarily RS 39:1311, for the year ended June 30, 2015 was only applicable to that year. However, management was unable to provide evidence that an operating budget had been adopted for the year ended June 30, 2016. As a result, a similar compliance finding is presented in the current year report. See schedule of findings for reporting of related compliance finding.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of City Court and the Louisiana Legislative Auditor and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 30, 2016

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Summary Schedule of Prior Findings
Year Ended June 30, 2016

A. Internal Control –

2015-001 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of findings item 2016-001.

B. Compliance –

2015-002 – Local Government Budget Act

CONDITION: City Court did not prepare and adopt an operating budget for fiscal year ended June 30, 2015.

RECOMMENDATION: We recommend that City Court adopt an operating budget for each year in accordance with state statute.

CURRENT STATUS: See schedule of findings item 2016-002.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Schedule of Findings
Year Ended June 30, 2016

Findings reported in accordance with *Government Auditing Standards*:

2016-001 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. City Court’s internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

2016-002 – Local Government Budget Act

CONDITION: City Court did not prepare and adopt an operating budget for fiscal year ended June 30, 2016.

CRITERIA: Under the provisions of the Local Government Budget Act, RS 39:1301 et seq, City Courts are defined as a “political subdivision”. As such, RS 39:1305(A) requires that “each political subdivision shall cause to prepare a comprehensive budget presenting a complete financial plan for each fiscal year for the general and each special revenue fund”.

The adoption instrument, under RS 39:1305(D) “shall consist of a letter from the independently elected official authorizing the implementation of the adopted budget.”

CAUSE: The condition results from a failure to comply with the statutes related to budget preparation and adoption.

EFFECT: City Court is not in compliance with the budget preparation and adoption requirements of the Local Government Budget Act.

RECOMMENDATION: We recommend that the administrative authority for City Court prepare and adopt budgets as required by state stature.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Schedule of Findings
Year Ended June 30, 2016 (continued)

2016-003- Misappropriation of Assets

CONDITION: Records of City Court indicate that from January 1, 2016 through June 30, 2016, cash and money order payments totaling \$15,573 were received and/or recorded as received at City Court but were not deposited into the Court's bank accounts. The payments consisted of court costs, fees, and fines. Former City Court employee, Michelle Berry, is believed to have committed the act of misappropriation. She has been booked on charges of theft, second degree injuring of public records, filing false public records, and malfeasance in office. City Court has notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523. Claims have been made against the City Court's employee dishonesty bond coverage. Ms. Berry pled guilty to an unrelated charge of wire fraud in the U.S. District Court, Western District of Louisiana and was sentenced to two years of incarceration and three years probation. Due to her incarceration, formal charges on the City Court matter have not been instituted.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. City Court's internal control over financial reporting includes those policies and procedures that pertain to the Court's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is due to deception of the former employee and a failure to develop policies and procedures to compare daily deposit totals to receipts on a regular basis.

EFFECT: Receipts totaling \$15,573 have been misappropriated for personal use.

RECOMMENDATION: We recommend that City Court implement policies and procedures to ensure daily deposits are reconciled to receipts on a regular basis.

CITY COURT OF THE CITY OF FRANKLIN
Franklin, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended June 30, 2016

2016-001 – Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not applicable

2016-002 – Local Government Budget Act

CONDITION: City Court did not prepare and adopt an operating budget for fiscal year ended June 30, 2016.

MANAGEMENT'S RESPONSE: It is recognized that an operating budget for the fiscal year ending June 30, 2016 could not be located. Accordingly, it must be assumed that one was not prepared. Management understands the need for a comprehensive operating budget beyond simple legal compliance and is taking measures to ensure that an operating budget will be adopted in accordance with procedures provided by state law for the fiscal year ending June 30, 2017 and thereafter.

2016-003- Misappropriation of Assets

CONDITION: Records of City Court indicate that from January 1, 2016 through June 30, 2016, cash and money order payments totaling \$15,573 were received and/or recorded as received at City Court but were not deposited into the Court's bank accounts. The payments consisted of court costs, fees, and fines. Former City Court employee, Michelle Berry, is believed to have committed the act of misappropriation. She has been booked on charges of theft, second degree injuring of public records, filing false public records, and malfeasance in office. City Court has notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523. Claims have been made against the City Court's employee dishonesty bond coverage. Ms. Berry pled guilty to an unrelated charge of wire fraud in the U.S. District Court, Western District of Louisiana and was sentenced to two years of incarceration and three years probation. Due to her incarceration, formal charges on the City Court matter have not been instituted.

MANAGEMENT'S RESPONSE: Management has instituted a policy requiring daily deposits to be made by the civil clerk. The financial books and records of the court are maintained by the chief financial officer of the City of Franklin.

LOUISIANA ATTESTATION QUESTIONNAIRE

Exhibit A

City Court of the City of Franklin
Louisiana Compliance Questionnaire
Year Ended June 30, 2016

Kolder, Champagne, Slaven & Company, LLC, CPAs
Post Office Box 3438
Morgan City, Louisiana

In connection with your review of our financial statements as of June 30, 2016 and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of the date noted on the last page of this questionnaire.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [] No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [] No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [] No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [] No []

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [] No []

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [] No []

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [] No [] N/A

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [X] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [X] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

Jamar B. Snyple

Judge

June 20, 2016

Date