

**MARSHAL'S OFFICE – CITY COURT OF HAMMOND
HAMMOND, LOUISIANA**

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-26-05

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Annual Financial Statements
With Supplemental Information Schedules

For the Year Ended June 30, 2004

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

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September 22, 2004

Independent Auditor's Report

The Honorable V. Gordon Anderson, Jr.
Marshal, City Court of Hammond
Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Marshal's Office – City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Marshal's Office – City Court of Hammond's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Marshal's Office – City Court of Hammond's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Marshal's Office – City Court of Hammond's 2003 financial statements and, in our report dated August 11, 2003, we expressed unqualified opinions on the respective financial statements of the governmental activities and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Marshal's Office – City Court of Hammond as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, on our consideration of the Marshal's Office – City Court of Hammond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

The Management's Discussion and Analysis on pages 4 through 11 and the budgetary comparison schedule identified as Schedule 1 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Durnin & James, CPAs

Durnin & James, CPAs
(A Professional Corporation)

Management's Discussion and Analysis

**Marshal's Office – City Court of Hammond
Hammond, Louisiana**
Management's Discussion and Analysis
For The Year Ended June 30, 2004

Introduction

As management of the Marshal's Office – City Court of Hammond (the "Marshal's Office"), we offer readers of the Marshal's Office financial statements this narrative overview and analysis of the financial activities of the Marshal's Office for the fiscal year ended June 30, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Marshal's Office's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Marshal's Office finances. It is also intended to provide readers with an analysis of the Marshal's Office's short-term and long-term activities of the Marshal's Office based on information presented in the financial report and fiscal policies that have been adopted by the Marshal's Office. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Marshal's Office's financial activity, identify changes in the Marshal's Office's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management's Discussion and Analysis.

Financial Highlights

- At June 30, 2004, the Marshal's Office's net assets exceeded its liabilities by \$181,623 (net assets). Of this amount, \$173,249 (unrestricted net assets) may be used to meet the Marshal's Office's ongoing obligations. This amount increased by \$20,855, or 13.68% from the prior year.
- For the year ended June 30, 2004, the Marshal's Office's net assets increased by \$16,095, or 9.72% from the prior year.
- For the year ended June 30, 2004, total revenues for the Marshal's Office increased by \$26,509, or 6.00% from the prior year.
- For the year ended June 30, 2004, total expenses for the Marshal's Office decreased by \$5,891, or 1.29%.

Marshal's Office – City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For The Year Ended June 30, 2004

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Marshal's Office's financial statements. The Marshal's Office's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Marshal's Office financial position and results of operations in a manner similar to a private-sector business.

- A. The *statement of net assets* presents information on all of the Marshal's Office's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Marshal's Office is improving or weakening.
- B. The *statement of activities* presents information showing how the Marshal's Office's net assets change during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Marshal's Office's net assets for the current year as compared to the prior year. For more detailed analysis, see the Statement of Net Assets on Exhibit A of the report.

Marshal's Office – City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For The Year Ended June 30, 2004

Net Assets
June 30, 2004 and 2003

	Governmental Activities			
	2004	2003	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 215,817	\$ 188,331	\$ 27,486	14.59
Capital Assets	<u>8,374</u>	<u>13,134</u>	<u>(4,760)</u>	<u>(36.24)</u>
Total Assets	<u>\$ 224,191</u>	<u>\$ 201,465</u>	<u>\$ 22,726</u>	<u>11.28</u>
Liabilities				
Current Liabilities	\$ 42,568	\$ 35,937	\$ 6,631	18.45
Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 42,568</u>	<u>\$ 35,937</u>	<u>\$ 6,631</u>	<u>18.45</u>
Net Assets:				
Invested in Capital Assets	\$ 8,374	\$ 13,134	\$ (4,760)	(36.24)
Unrestricted	<u>173,249</u>	<u>152,394</u>	<u>20,855</u>	<u>13.68</u>
Total Net Assets	<u>\$ 181,623</u>	<u>\$ 165,528</u>	<u>\$ 16,095</u>	<u>9.72</u>

The Marshal's Office's assets exceeded its liabilities at the close of the most recent fiscal year by \$181,623 (net assets). Of this amount, \$173,249 are unrestricted net assets.

A portion of the Marshal's Office net assets (4.61 percent) reflects its investment in capital assets (e.g., equipment, vehicles, furniture, etc.), less any related debt used to acquire those assets that is still outstanding. The Marshal's Office uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets (\$173,249) may be used to meet the Marshal's Office's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Marshal's Office is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Marshal's Office's operating activities as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed analysis, see the Statement of Activities on Exhibit B of this report.

Marshal's Office – City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For The Year Ended June 30, 2004

Net Assets
June 30, 2004 and 2003

	Governmental Activities			
	2004	2003	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 94,983	\$ 113,112	\$ (18,129)	(16.03)
General Revenues:				
Contribution - City of Hammond	338,750	295,992	42,758	14.45
Other	<u>34,475</u>	<u>32,595</u>	<u>1,880</u>	<u>5.77</u>
Total Revenues	<u>\$ 468,208</u>	<u>\$ 441,699</u>	<u>\$ 26,509</u>	<u>6.00</u>
Expenses:				
Salaries and Related Benefits	\$ 340,792	\$ 314,777	\$ 26,015	8.26
Operating and Other Charges	105,887	136,998	(31,111)	(22.71)
Depreciation	<u>5,434</u>	<u>6,229</u>	<u>(795)</u>	<u>(12.76)</u>
Total Expenses	<u>452,113</u>	<u>458,004</u>	<u>(5,891)</u>	<u>(1.29)</u>
Change in Net Assets	<u>\$ 16,095</u>	<u>\$ (16,305)</u>	<u>\$ 32,400</u>	<u>(198.71)</u>
Net Assets, Beginning of Year	<u>165,528</u>	<u>181,833</u>	<u>(16,305)</u>	<u>(8.97)</u>
Net Assets, End of Year	<u>\$ 181,623</u>	<u>\$ 165,528</u>	<u>\$ 16,095</u>	<u>9.72</u>

For the year ended June 30, 2004, revenues from court costs decreased by \$18,129, or 16.03% from the prior year. This is attributable to a decrease in collection of criminal fees from the Hammond City Court.

Contributions from the City of Hammond for the current year increased by \$42,758, or 14.45% from the prior year amount. This is due to an increase in the budgeted funds received from the City of Hammond.

Salaries and related benefits during the current year increased by \$26,015, or 8.26% over the amount from last year. This increase is due to an overall increase in salaries and related employee benefits.

Operating and other charges during the current year decreased by \$31,111, or 22.71% from the prior year amount. This decrease was due to a decrease in computer consulting and purchase of computer equipment that was completed in the prior year.

Marshal's Office – City Court of Hammond
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Management's Discussion and Analysis
For The Year Ended June 30, 2004

Governmental Activities

The Governmental Activities of the Marshal's Office include General Government. Court costs and contributions from the City of Hammond fund these governmental activities.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Marshal's Office, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Marshal's Office can be divided into two categories: governmental funds and fiduciary funds.

A. Governmental funds are used to account for most of the Marshal's Office basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Marshal's Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Marshal's Office's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Exhibits A and B.

The Marshal's Office maintains only one governmental fund, the General Fund. Information is presented on the General Fund on Exhibit A of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Marshal's Office's General Fund reported an ending fund balances of \$161,037.

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The Marshal's Office has followed the recommendation from its auditors to retain a reasonable surplus in the General Fund for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements, and other similar conditions.

- B. Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Marshal's Office's other programs. The basis of accounting used for fiduciary funds is the modified accrual basis of accounting. The Marshal's Office only fiduciary fund is the Civil Agency Fund. The basic fiduciary fund financial statements can be found on Exhibits C and D of this report.

3. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages indicated in the table of contents.

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on Schedule 1 of this report.

- A. Budgetary Comparison Schedule – The Marshal's Office adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on Schedule 1.

B. Analysis of Significant Budget Variances in the General Fund:

1. Revenues:

- a. Revenues from criminal court costs decreased by \$30,017 over the amounts originally budgeted. This is due to a decrease in the number of traffic tickets issued during the current fiscal year.
- b. Revenues from the City of Hammond decreased by \$27,250 over the amounts originally budgeted. This is due to a supplemental budget request that was not funded by the City of Hammond.

**Marshal's Office – City Court of Hammond
Hammond, Louisiana**
Management's Discussion and Analysis
For The Year Ended June 30, 2004

- c. Interest revenue decreased by \$699 over the amounts originally budgeted. This is due primarily because of a decrease in interest rates over the last fiscal year.

2. Expenditures

- a. Other expenditures decreased by \$38,789 due primarily to a decease in Computer Consulting and Equipment purchases that was not funded in the final budget.

Capital Asset and Debt Administration

1. Capital Assets

The Marshal's Office investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$8,374 (net of accumulated depreciation). This investment in capital assets includes equipment, vehicles, and furniture & fixtures. The total decrease in the Marshal's Office investment in capital assets for the current fiscal year was \$4,760, due primarily to the purchase of capital assets (\$674) and depreciation for the current fiscal year (\$5,434).

Major capital asset additions during the current fiscal year included the following:

- A. Several small pieces of equipment totaling \$674 were purchased during the year.

Additional information on the Marshal's Office capital assets can be found in Note 5 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Marshal's Office budget for the 2005 fiscal year:

For fiscal year ending June 30, 2005, there is no budgeted revenue increase in court costs or contributions from the City of Hammond over the June 30, 2004 fiscal year.

During the current fiscal year, the unreserved fund balance in the General Fund increased to \$161,037. There is no surplus or deficit budgeted for the fiscal year ended June 30, 2005.

**Marshal's Office – City Court of Hammond
Hammond, Louisiana
Management's Discussion and Analysis
For The Year Ended June 30, 2004**

Requests for Information

This financial report is designed to provide a general overview of the Marshal's Office finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marlene Hinshaw, Deputy Marshal / Marshal's Office, 303 East Thomas Street, Hammond, Louisiana, 70401.

Financial Statements

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Exhibit A

Governmental Funds Balance Sheet / Statement of Net Assets

June 30, 2004

				<u>Statement of Net Assets</u>	
	General Fund	Adjustments - Note 1		2004	(Memo Only) 2003
Assets					
Cash and Cash Equivalents	\$ 190,280	\$ -	\$ 190,280	\$ 139,356	
Due from Other Governments	13,325	-	13,325	37,066	
Prepaid Insurance	-	12,212	12,212	11,909	
Prepaid Computer Software	-	-	-	-	
Capital Assets, Net of Accumulated Depreciation (Note 5)	-	8,374	8,374	13,134	
Total Assets	<u>\$ 203,605</u>	<u>\$ 20,586</u>	<u>\$ 224,191</u>	<u>\$ 201,465</u>	
Liabilities					
Accounts Payable	\$ 4,403	\$ -	\$ 4,403	\$ 3,316	
Salaries and Benefits Payable	35,955	-	35,955	30,411	
Due To Civil Agency Fund	<u>2,210</u>	<u>-</u>	<u>2,210</u>	<u>2,210</u>	
Total Liabilities	<u>\$ 42,568</u>	<u>\$ -</u>	<u>\$ 42,568</u>	<u>\$ 35,937</u>	
Net Assets					
Unreserved, Undesignated	\$ 161,037	\$ 12,212	\$ 173,249	\$ 152,394	
Invested in Capital Assets, Net of Related Debt	-	8,374	8,374	13,134	
Total Net Assets	<u>\$ 161,037</u>	<u>\$ 20,586</u>	<u>\$ 181,623</u>	<u>\$ 165,528</u>	

The accompanying notes are an integral part of this statement.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Exhibit B

**Statement of Governmental Fund Revenues, Expenditures, and Changes
In Fund Balance / Statement of Activities**

For the Year Ended June 30, 2004

	General Fund	Adjustments - Note 1	<u>Statement of Activities</u>	
			<u>(Memo Only)</u>	
			2004	2003
Expenditures / Expenses				
Personnel Services	\$ (249,992)	\$ -	\$ (249,992)	\$ (239,113)
Related Benefits	(90,800)	-	(90,800)	(75,664)
Insurance	(29,302)	303	(28,999)	(24,940)
Automobile	(33,907)	-	(33,907)	(37,817)
Office Supplies and Telephone	(20,802)	-	(20,802)	(25,554)
Legal & Accounting	(7,268)	-	(7,268)	(8,715)
Capital Outlay	(674)	674	-	-
Depreciation	-	(5,434)	(5,434)	(6,229)
Other	(14,911)	-	(14,911)	(39,972)
Total Expenditures / Expenses	\$ (447,656)	\$ (4,457)	\$ (452,113)	\$ (458,004)
Program Revenues				
Charges for Services	\$ 94,983	\$ -	\$ 94,983	\$ 113,112
Net Program Expense	\$ (352,673)	\$ (4,457)	\$ (357,130)	\$ (344,892)
General Revenues				
Contributions - City of Hammond	\$ 338,750	\$ -	\$ 338,750	\$ 295,992
Reimbursements -				
Tangipahoa Parish Council	12,000	-	12,000	12,000
On Behalf Payments From State	18,000	-	18,000	18,000
Miscellaneous	4,475	-	4,475	2,595
Total General Revenues	\$ 373,225	\$ -	\$ 373,225	\$ 328,587
Excess (Deficiency) of Revenues over Expenditures	\$ 20,552	\$ (4,457)	\$ 16,095	\$ (16,305)
Fund Balance / Net Assets:				
Beginning of the Year	\$ 140,485	\$ 25,043	\$ 165,528	\$ 181,833
End of the Year	\$ 161,037	\$ 20,586	\$ 181,623	\$ 165,528

The accompanying notes are an integral part of this statement.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Exhibit C

Statement of Fiduciary Net Assets

June 30, 2004

	Civil Agency Fund	Totals	
		(Memorandum Only)	
		2004	2003
Assets			
Cash	\$ 13,372	\$ 13,372	\$ 6,618
Due From General Fund	<u>2,210</u>	<u>2,210</u>	<u>2,210</u>
Total Assets	<u>\$ 15,582</u>	<u>\$ 15,582</u>	<u>\$ 8,828</u>
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 971	\$ 971	\$ 860
Total Liabilities	<u>\$ 971</u>	<u>\$ 971</u>	<u>\$ 860</u>
Net Assets			
Held in Trust For Plaintiffs	\$ 14,611	\$ 14,611	\$ 7,968
Total Liabilities and Net Assets	<u>\$ 15,582</u>	<u>\$ 15,582</u>	<u>\$ 8,828</u>

The accompanying notes are an integral part of this statement.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Exhibit D

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2004

	Civil Agency Fund	Totals		<u>(Memorandum Only)</u>
		2004	2003	
Additions:				
Marshal's Fees	\$ 21,874	\$ 21,874	\$ 17,332	
Garnishment Payments	31,813	31,813	30,854	
Miscellaneous	-	-	-	
Proceeds from Seizure	5,203	5,203	181	
Total Additions	\$ 58,890	\$ 58,890	\$ 48,367	
Deductions:				
Advertisement	\$ 174	\$ 174	\$ 59	
Appraisals	30	30	15	
Civil Fees	42,773	42,773	35,430	
Garnishment Reimbursements	6,887	6,887	4,150	
Mortgage Certificate	235	235	40	
Reimbursement Check	1,085	1,085	2,736	
Service of Papers	1,777	1,777	2,419	
Storage Fees	-	-	-	
Wrecker Service	960	960	205	
Record & File	86	86	-	
Other Deductions	(1,395)	(1,395)	1,102	
Total Deductions	\$ 52,612	\$ 52,612	\$ 46,156	
Change in Net Assets	\$ 6,278	\$ 6,278	\$ 2,211	
Net Assets - Beginning of the Year	\$ 8,333	\$ 8,333	\$ 5,757	
Net Assets - End of the Year	<u>\$ 14,611</u>	<u>\$ 14,611</u>	<u>\$ 7,968</u>	

The accompanying notes are an integral part of this statement.

Marshal's Office – City Court of Hammond
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Notes to the Financial Statements

June 30, 2004

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Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements

June 30, 2004

Introduction

The Marshal's Office – City Court of Hammond (hereinafter referred to as "Marshal's Office") is separate and apart from the City Court of Hammond and was created under the authority of LSA-R.S. 13:1871-2512. The purpose of the Marshal's Office is to execute the orders and mandates of the City Court of Hammond, to include making arrests, preserving the peace, processing judgments and garnishments and similar functions. The Marshal's Office has jurisdiction within the Seventh Ward of Tangipahoa Parish. The Marshal's Office presently employs thirteen people to include the Marshal, four clerical Deputy Marshals, seven road Deputy Marshals and one courtroom bailiff. The Marshal's Office presently maintains an office in the Hammond City Hall building. Revenues for the Marshal's Office include court costs assessed on all criminal cases handled by the City Court of Hammond and appropriations from the City of Hammond. Revenues are used in defraying the costs of operating the Marshal's Office. Major expenditures of the Marshal's Office include salaries and related benefits, automobile expenditures, insurance and general office expenditures.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Marshal's Office, City Court of Hammond have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis—for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

B. Reporting Entity

The Marshal is an independently elected official; however, the Marshal's Office is fiscally dependent on the City of Hammond. The City of Hammond maintains and operates the building in which the Marshal's Office's office is located and provides funds for salaries, equipment and expenditures of the Marshal's Office. Because the Marshal's Office is fiscally dependent on the City of Hammond, the Marshal's Office was determined to be a component unit of the City of Hammond, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Marshal's Office and do not present information on the City of Hammond, the

Marshal's Office – City Court of Hammond
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Notes to the Financial Statements (Continued)

June 30, 2004

general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The Marshal's Office uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Marshal Office functions and activities.

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts

Governmental Fund –

Governmental funds account for all of the Marshal's Office's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds of the Marshal's Office include:

General Fund – the general operating fund of the Marshal's Office and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according Marshal's Office policy.

Fiduciary Fund –

Fiduciary funds reporting focuses on net assets and changes in net assets. The only fund accounted for in this category by the Marshal's Office is the Civil Agency Fund. The Civil Agency Fund is used to account for assets held by the Marshal's Office as an agent for individuals or private organizations. The Civil Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Consequently, the agency fund has no measurement focus, but uses the modified accrual basis of accounting.

D. Basis of Accounting

Fund Financial Statements (FFS)

The amounts reflected in the General Fund of Exhibits A and B, is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

(i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Marshal Office wide operations.

The amounts reflected in the General Fund, of Exhibits A and B, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become 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 pay liabilities of the current period. The Marshal's Office considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Revenues are generally recognized when they become measurable and available as net current assets. Criminal Court fees, appropriations from the City of Hammond and interest revenue are recorded when due. Substantially all other revenues are recorded when received.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Governmental-Wide Financial Statements (GWFS)

The column labeled Statement of Net Assets (Exhibit A) and the column labeled Statement of Activities (Exhibit B) display information about the Marshal's Office as a whole. These statements include all the financial activities of the Marshal's Office. Information contained in these columns 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*.

Program Revenues – Program revenues included in the column labeled Statement of Activities (Exhibit B) are derived directly from Marshal's Office users as a fee for services; program revenues reduce the cost of the function to be financed from the Marshal's Office's general revenues.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

Reconciliation:

The reconciliation of the items reflected in the funds columns to the Statement of Activities (Exhibit B) and Statement of Net Assets (Exhibit A) are as follows:

<u>Exhibit B</u>	
Capitalization of Capital Assets	\$ 674
Recording of Prepaid Insurance	303
Recording of Depreciation Expense	<u>(5,434)</u>
	<u>\$ (4,457)</u>
Adjustment to Beginning Fund Balance for Prior Year	
Capital Assets	\$ 13,134
Prepaid Insurance	<u>11,909</u>
	<u>\$ 25,043</u>
Net Effect of Changes	<u>\$ 20,586</u>
<u>Exhibit A</u>	
Recording of Prepaid Insurance	\$ 12,212
Recording Net Capital Assets	<u>8,374</u>
Net Effect of Changes	<u>\$ 20,586</u>

F. Budgets

The Marshal's Office did not follow the provisions of LSA-R.S. 39:1301-15 in preparing and adopting a budget for the year ended June 30, 2004. The original budget was not advertised and a public hearing was not held as required by law.

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest bearing demand deposits, money market accounts, and time deposits. Under state law, the Marshal's Office may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

Under state law, the Marshal's Office may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

H. Inventories

The Marshal's Office utilizes the "purchase method" of accounting for supplies whereby expendable operating supplies are recognized as expenditures when purchased. The Marshal's Office did not record any inventory at June 30, 2004.

I. Prepaid Items

The Marshal's Office recognized expenditures for insurance and similar services extending over more than one accounting period when paid.

J. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Marshal's Office maintains a threshold level of \$100 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. 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. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture & Equipment	5
Vehicles	5

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

K. Compensated Absences

The Marshal's Office has the following policy relating to vacation and sick leave:

All full-time Marshal's Office employees who are paid on a salary basis and work a regular full-time workweek earn sick leave and annual leave. Employees with less than one year of service earn five days of sick leave. Employees with one year or more of service earn twelve days of sick leave each year. Employees may accumulate all unused sick leave but the employee's right to unused sick leave benefits does not vest. Therefore, the Marshal's Office recognizes an expenditure for sick leave benefits when payments are made to employees.

Employees earn from one to four weeks of annual leave each year depending on length of service. Employees are required to take a minimum of one week of vacation during each year. However, an employee may accumulate up to one week of annual leave each year up to a maximum of thirty days. All days accumulated in excess of thirty days are lost. The employee's rights to annual leave vest with a maximum of thirty days unused annual leave payable upon termination.

The cost of current leave privileges, computed in accordance with GASB Statement No. 16, is recognized as a current-year expenditure in the General Fund when leave actually accrues.

L. Estimates

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

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

2. Cash and Cash Equivalents

At June 30, 2004, the Marshal's Office has cash and cash equivalents (book balances) totaling \$203,652 as follows:

Demand Deposits	\$ 19,083
Interest-Bearing Demand Deposits	123,171
Time Deposits	<u>61,398</u>
Total	<u>\$ 203,652</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

At June 30, 2004, the Marshal's Office has \$215,679 in deposits (collected bank balances). These deposits are secured from risk by \$177,523 of federal deposit insurance, and \$38,156 of pledged securities owned by the bank.

3. Interfund Receivables / Payables

The following is a summary of interfund receivables/payables at June 30, 2004:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Civil Agency Fund	\$ -	\$ 2,210
Civil Agency Fund:		
General Fund	<u>2,210</u>	<u>-</u>
Total All Funds	<u>\$ 2,210</u>	<u>\$ 2,210</u>

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

4. Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2004 consisted of the following:

Contribution Due From:

City of Hammond \$ -

Criminal Court Fees Due From:

Hammond City Court 10,325

Reimbursement of Courtroom Security From:

Tangipahoa Parish Council 3,000

\$ 13,325

No allowance for uncollectible accounts is required at June 30, 2004.

5. Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2004, is as follows:

Governmental Activities	Balance			Balance June 30, 2004
	July 1, 2003	Additions	Deductions	
Office Equipment	\$ 77,969	\$ 674	\$ -	\$ 78,643
Automobiles	28,097	-	-	28,097
Total	<u>\$ 106,066</u>	<u>\$ 674</u>	<u>\$ -</u>	<u>\$ 106,740</u>

Accumulated Depreciation:

Office Equipment	\$ 67,235	\$ 4,634	\$ -	\$ 71,869
Automobiles	25,697	800	-	26,497

Total	<u>\$ 92,932</u>	<u>\$ 5,434</u>	<u>\$ -</u>	<u>\$ 98,366</u>
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Capital Assets, Net	<u>\$ 13,134</u>	<u>\$ (4,760)</u>	<u>\$ -</u>	<u>\$ 8,374</u>
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Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

6. Employee Pension Plan

The Marshal's Office provides pension benefits for all of its full-time employees through a joint contributory, Municipal Employees' Retirement System (MERS). The Municipal Employees' Retirement System, State of Louisiana, is the administrator of a cost-sharing, multiple-employer plan.

The Municipal Employees' Retirement System, State of Louisiana was established by Act #356 of the 1954 regular session of the Legislature of the State of Louisiana, to provide retirement benefits to employees of all incorporated villages, towns and cities within the state, which did not have their own retirement system and which elected to become members of the System.

The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana.

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan", and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The Marshal's Office is a member of Plan A. At June 30, 2001, there were sixty-nine contributing members in Plan A.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any member of Plan A can retire providing he meets one of the following criteria:

- A. Any age with thirty (30) or more years of creditable service.
- B. Age 55 with twenty-five (25) years of creditable service.
- C. Age 60 with a minimum of ten (10) years of creditable service.
- D. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
- E. Survivor's benefits require five (5) years creditable service at death of member.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The plan provisions are adopted by the governing body of the entities, within the options available in the state statutes governing MERS and within the actuarial constraints also in the statutes.

The contribution rate for employees is 9.25% of earnable compensation and is established by state statute.

The employer contribution rate is 11.00% of members' earnings. The System also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions. The remaining employer contributions are determined according to actuarial requirements and are set annually.

The Marshal's Office's total payroll in the fiscal year ended June 30, 2004, was \$274,148 and the Marshal's Office's contributions were based on a payroll of \$254,584. Both the Marshal's Office and the covered employees made the required contributions, amounting to \$47,529. There were no related party transactions.

Trend Information

Contributions required by state statute:

Fiscal Year June 30	Required Contribution	Percentage Contribution
2002	\$ 28,058	100%
2003	\$ 30,546	100%
2004	\$ 47,529	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

All employees of the Marshal's Office are also members of the Social Security System. Employees contribute 7.65% of their covered payroll up to statutory limits. For the year ended June 30, 2004, contributions totaled \$24,648.

Marshal's Office – City Court of Hammond
Hammond, Louisiana

Notes to the Financial Statements (Continued)

June 30, 2004

7. On Behalf Payments Made by the State of Louisiana

For the year ended June 30, 2004, the State of Louisiana made on behalf payments in the form of supplemental pay to the Marshal and deputies. In accordance with GASB 24, the Marshal's Office has recorded \$18,000 of on behalf payments as revenue and as expenses in the General Fund.

8. Deferred Compensation Plan

The Marshal's Office – City Court of Hammond offers its employees, The Delaware Management Company, Inc. Section 457, Deferred Compensation Plan, a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as revised June 1, 2000. The plan, available to all Marshal's Office employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights shall be held for the exclusive benefit of participants and their beneficiaries.

At June 30, 2004, \$10,540 was applicable to employees of the Marshal's Office

9. Accounts, Salaries, and Other Payables

The payables of \$40,358 at June 30, 2004, are as follows:

Type	<u>General Fund</u>	
Salaries	\$	16,117
Withholding		19,838
Accounts		4,403
Other		-
Total	\$	<u>40,358</u>

Required Supplemental Information

Marshal's Office - City Court of Hammond
Hammond, Louisiana

Statement 1

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable / (Unfavorable) Variance</u>
Revenues				
Criminal Court Fees	\$ 125,000	\$ 99,500	\$ 94,983	\$ (4,517)
City of Hammond Appropriations	366,000	338,750	338,750	-
Interest Earned	2,000	2,500	1,301	(1,199)
On Behalf Payments by State	18,000	18,000	18,000	-
Intergovernmental	<u>12,000</u>	<u>12,000</u>	<u>15,174</u>	<u>3,174</u>
Total Revenues	\$ 523,000	\$ 470,750	\$ 468,208	\$ (2,542)
Expenditures				
General Government:				
Salaries & Related Benefits:				
Marshal	\$ 21,940	\$ 21,940	\$ 21,940	\$ -
Deputies	250,060	227,835	228,052	(217)
Security Personnel	-	-	-	-
Payroll Taxes	22,000	21,000	26,377	(5,377)
Retirement Contributions	20,800	24,800	28,027	(3,227)
Hospitalization Insurance	54,300	54,300	36,396	17,904
Insurance	27,500	32,185	29,302	2,883
Automobile	39,300	33,100	33,907	(807)
Office Supplies and Telephone	14,900	15,400	20,802	(5,402)
Legal and Accounting	8,500	10,100	7,268	2,832
Other Expenditures	53,700	28,970	14,911	14,059
Capital Outlay	<u>10,000</u>	<u>1,120</u>	<u>674</u>	<u>446</u>
Total Expenditures	<u>\$ 523,000</u>	<u>\$ 470,750</u>	<u>\$ 447,656</u>	<u>\$ 23,094</u>
Excess of Revenues over Expenditures	\$ -	\$ -	\$ 20,552	\$ 20,552
Fund Balance - Beginning of the Year	\$ 140,485	\$ 140,485	\$ 140,485	\$ -
Fund Balance - End of the Year	<u>\$ 140,485</u>	<u>\$ 140,485</u>	<u>\$ 161,037</u>	<u>\$ 20,552</u>

See auditor's report.

**Other Independent Auditor's Reports
And Findings and Recommendations**

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting Based on
An Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA
Dennis E. James, CPA

Member
American Institute of CPA's
Society of Louisiana CPA's

September 22, 2004

Independent Auditor's Report on Compliance And On
Internal Control over Financial Reporting Based On
An Audit of Financial Statements Performed In
Accordance with *Government Auditing Standards*

The Honorable V. Gordon Anderson, Jr.
Marshal, City Court of Hammond
Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Marshal's Office – City Court of Hammond, a component unit of the City of Hammond, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the financial statements and have issued our report thereon dated September 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshal's Office – City Court of Hammond's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 non-compliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying findings and recommendations as item numbers 04-1 and 04-2.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Marshal's Office - City Court of Hammond's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and

The Honorable V. Gordon Anderson, Jr.
Marshal, City Court of Hammond

not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies 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.

Respectfully submitted,

Durnin & James, CPAs

Durnin & James, CPAs
(A Professional Corporation)

Findings and Recommendations

Marshal's Office – City Court of Hammond

Current Year Audit Findings
For the Year Ended June 30, 2004

Findings and Recommendations

Compliance

04-1 – Violations of State Budget Laws

The Marshal's Office did not comply with certain provisions of the Local Government Budget Act. Budget procedures applicable to the Marshal's Office are specified in state law, Louisiana Revised Statutes (LSA-R.S) 39:1301-1315. The pertinent parts of the law are as follows:

LSA-R.S. 39:1306 – *"The proposed budget...shall be completed and submitted to the governing authority of that political subdivision and made available for public inspection as provided for in R.S. 39:1308 no later than fifteen days prior to the beginning of each fiscal year..."*

LSA-R.S. 39:1307 – *"...the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice..."*

Finding:

The Marshal's Office violated LSA-R.S. 39:1307 by not publishing a notice that the budget was available for public inspection. In addition, a public hearing for the budget was not held.

Recommendation:

We recommend the Marshal's Office adopt a budget for the General Fund prior to the beginning of each new fiscal year and follow all applicable state budget laws in the adoption of this budget. In addition, we recommend the Marshal's Office continue to closely monitor its budget and adopt budget amendments when required.

Management's Response:

As stated in Management's Corrective Action Plan, management will adopt a budget for the General Fund before the beginning of each new fiscal year and will follow all applicable state budget laws in the adoption of this budget. In addition, we will continue to closely monitor our budget and adopt budget amendments when required.

04-2 – Failure to Provide Documentation Substantiating Automobile Allowances

Finding:

During our audit and testing of expenditures, we noted that the Marshal's Office paid a total of \$26,625.00 in the form of automobile expense allowances to seven deputy marshals for the fiscal year ended June 30, 2004. We were unable to locate in the files any mileage log or other form of

Marshal's Office – City Court of Hammond

Current Year Audit Findings
For the Year Ended June 30, 2004

Findings and Recommendations

documentation to substantiate the actual business use of the vehicle and the reimbursement rate used to compute the monthly reimbursement amount for four out of the seven deputies receiving a vehicle allowance. The verification necessary to meet the accountable plan substantiation requirements for reimbursement of employee expense attributable to the use of a vehicle for business purposes can be found in Treasury regulation § 1.274-5T. Treasury regulation § 1.274-5T requires “*each of the elements of an expenditures or use must be substantiated to the payor.*” These elements include the amount, time, and business purpose of the expense be documented. Failure to provide adequate documentation for business use of a personal vehicle creates income to the employee in the amount of unsubstantiated reimbursement received.

Recommendation:

We recommend the Marshal's Office require all employees receiving automobile allowances to complete detailed, written travel logs to document to the Marshal's Office the business use of personal automobiles. This would qualify as an “accountable reimbursement plan” under Treasury regulation § 1.274-5T. Otherwise, the amount of the unsubstantiated vehicle allowance should be included in the gross taxable income of the employee.

Management's Response:

As stated in Management's Corrective Action Plan, management will require all employees receiving automobile allowances to complete detailed, written travel logs sufficient to qualify automobile allowances as an “accountable reimbursement plan”.

Internal Control over Financial Reporting

None

Corrective Action Plan for Current Year Audit Findings

Marshal's Office – City Court of Hammond

Corrective Action Plan for Current Year Audit Findings

For the Year Ended June 30, 2004

<u>Ref.#</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
--------------	-------------------------------	-------------------------------	-------------------------------	------------------------------------

Compliance

04-1	Violation of State Budget Laws	Follow all applicable laws related to budgets and budget adoption	Marlene Hinshaw	December 31, 2004
04-2	Violation of Federal Vehicle Documentation Requirements	Complete travel logs as required under Treasury regulation 1.274-5T	Marlene Hinshaw	December 31, 2004

Internal Control

None

Note: This schedule has been prepared by the management of the Marshal's Office – City Court of Hammond.

Summary Schedule of Prior Audit Findings

Marshal's Office – City Court of Hammond

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2004

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Planned Corrective Action -	
			Corrective Action Taken	Partial Corrective Action Taken
Compliance	03-1	June 30, 2003 Violation of State Budget Laws	None	Advertise Budget

Internal Control

None

Note: This schedule has been prepared by the management of the Marshal's Office – City Court of Hammond.