

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

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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For the Year Ended June 30, 2019

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Independent Auditor's Report

The Honorable Pat Farris
Marshal, City Court of Hammond
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Marshal's Office, City Court of Hammond, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Marshal's Office, City Court of Hammond's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Marshal's Office, City Court of Hammond, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of the Marshal's proportionate share of the net pension liability, and the schedule of Marshal contributions on pages 25 to 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

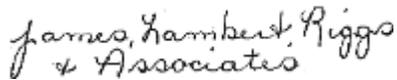
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshal's Office, City Court of Hammond's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional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

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the Marshal's Office, City Court of Hammond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marshal's Office, City Court of Hammond's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshal's Office, City Court of Hammond's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "James Lambert Riggs & Associates".

James Lambert Riggs & Associates, Inc.

Hammond, Louisiana
November 20, 2019

Basic Financial Statements

Marshal's Office – City Court of Hammond
Hammond, Louisiana
Statement of Net Position
June 30, 2019

Exhibit A

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 280,206 |
| Investments | 235,604 |
| Accrued Interest Receivable | 1,574 |
| Due from Other Governments | 31,867 |
| Due from Agency Fund | 19,172 |
| Prepaid Insurance | 11,766 |
| Capital Assets, Net of Accumulated Depreciation | <u>1,983</u> |
| Total Assets | <u>\$ 582,172</u> |
| Deferred Outflows of Resources | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | \$ 87,254 |
| Changes in Assumptions | 17,140 |
| Contributions Subsequent to the Measurement Date | <u>68,974</u> |
| Total Deferred Outflows of Resources | <u>\$ 173,368</u> |
| Liabilities | |
| Accounts Payable | \$ 11,981 |
| Salaries and Benefits Payable | 2,542 |
| Accrued Liabilities | 1,200 |
| Non-Current Liabilities: | |
| Accrued Compensated Absences | 9,058 |
| Net Pension Liability | <u>569,376</u> |
| Total Liabilities | <u>\$ 594,157</u> |
| Deferred Inflows of Resources | |
| Differences Between Expected and Actual Experience | \$ 20,243 |
| Changes in Proportion and Differences Between Marshal Contributions and Proportionate Share of Contributions | <u>135,285</u> |
| Total Deferred Inflows of Resources | <u>\$ 155,528</u> |
| Net Position | |
| Net Investment in Capital Assets | \$ 1,983 |
| Unrestricted | <u>3,872</u> |
| Total Net Position | <u>\$ 5,855</u> |

The accompanying notes are an integral part of this statement.

Marshal's Office – City Court of Hammond
Hammond, Louisiana
Statement of Activities
For the Year Ended June 30, 2019

Exhibit B

| | Governmental Activities |
|---|----------------------------|
| Expenses: | |
| Marshal's General Operations: | |
| Salaries & Related Benefits | \$ 420,241 |
| Automobile | 23,583 |
| Computer Maintenance | 4,221 |
| Insurance | 68,330 |
| Office Supplies and Telephone | 17,369 |
| Legal and Accounting | 20,873 |
| Other Expenditures | 9,600 |
| Interest on Debt Service | 3 |
| Depreciation Expense | 6,653 |
| Total Expenses | 570,873 |
| Program Revenues: | |
| Charges for Services | 241,652 |
| Total Program Revenues | 241,652 |
| Net Program (Expense) | (329,221) |
| General Revenues: | |
| City of Hammond Appropriations | 320,000 |
| Intergovernmental Revenues | 121,850 |
| On-Behalf Payments from State | 18,000 |
| Miscellaneous Income | 22,579 |
| Pension Contributions from Non-Employer Contributing Entities | 8,577 |
| Total General Revenues | 491,006 |
| Change in Net Position | 161,785 |
| Net Position - Beginning of the Year | (155,930) |
| Net Position - End of the Year | \$ 5,855 |

The accompanying notes are an integral part of this statement.

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

Exhibit C

Governmental Fund Balance Sheet
June 30, 2019

| | <u>General Fund</u> |
|--|---------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 280,206 |
| Investments | 235,604 |
| Accrued Interest Receivable | 1,574 |
| Due from Other Governments | 31,867 |
| Due from Agency Fund | 19,172 |
| Total Assets | \$ 568,423 |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Accounts Payable | \$ 11,981 |
| Accrued Liabilities | 1,200 |
| Salaries and Benefits Payable | 2,542 |
| Total Liabilities | 15,723 |
| Fund Balance: | |
| Unassigned | 552,700 |
| Total Fund Balance | 552,700 |
| Total Liabilities and Fund Balance | \$ 568,423 |

The accompanying notes are an integral part of this statement.

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

Exhibit D

Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position
For the Year Ended June 30, 2019

Total Fund Balances, Governmental Funds (Exhibit C) \$ 552,700

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Governmental Capital Assets, Net of Depreciation 1,983

Prepaid insurance is not accrued and is therefore not reported in the governmental funds.

Prepaid Insurance 11,766

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Promissory Note Payable -
Accrued Compensated Absences (9,058)

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability (569,376)
Total Deferred Outflows of Resources 173,368
Total Deferred Inflows of Resources (155,528)

Net Position of Governmental Activities (Exhibit A) \$ 5,855

The accompanying notes are an integral part of this statement.

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

Exhibit E

Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended June 30, 2019

| | <u>General Fund</u> |
|---|---------------------|
| Revenues: | |
| Criminal / Civil Court Fees | \$ 238,752 |
| Marshal's Bond Fees | 2,900 |
| City of Hammond Appropriations | 320,000 |
| Intergovernmental | 121,850 |
| On-Behalf Payments by State | 18,000 |
| Miscellaneous Income | <u>22,579</u> |
| Total Revenues | 724,081 |
| Expenditures: | |
| General Government: | |
| Salaries & Related Benefits: | |
| Marshal | 88,082 |
| Deputies | 290,046 |
| Payroll Taxes | 31,154 |
| Retirement Contributions | 68,974 |
| Hospitalization Insurance | 47,692 |
| Automobile | 23,583 |
| Computer Maintenance | 4,221 |
| Insurance | 68,330 |
| Office Supplies and Telephone | 17,369 |
| Legal and Accounting | 20,873 |
| Other Expenditures | 9,600 |
| Capital Outlay | 921 |
| Debt Service | <u>949</u> |
| Total Expenditures | <u>671,794</u> |
| Excess of Revenues over Expenditures | 52,287 |
| Fund Balance - Beginning of the Year | <u>500,413</u> |
| Fund Balance - End of the Year | <u>\$ 552,700</u> |

The accompanying notes are an integral part of this statement.

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

Exhibit F

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

| | | |
|--|----|--------|
| Net Change in Fund Balances, Governmental Funds (Exhibit E) | \$ | 52,287 |
|--|----|--------|

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

| | | |
|----------------------|--|---------|
| Capital Outlay | | 921 |
| Depreciation Expense | | (6,653) |

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net position as prepaid insurance.

| | | |
|--------------------------------|--|----------|
| Prior Year Prepaid Insurance | | (11,766) |
| Current Year Prepaid Insurance | | 11,766 |

Lease proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Paying lease payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments:

| | | |
|------------|--|-----|
| Proceeds | | - |
| Repayments | | 946 |

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to charges in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities:

| | | |
|---|--|--------------|
| Net Change in Pension Expense | | 105,707 |
| Contributions from Non-Employer Contributing Entities | | <u>8,577</u> |

| | | |
|--|-----------|-----------------------|
| Change in Net Position of Governmental Activities (Exhibit B) | \$ | <u>161,785</u> |
|--|-----------|-----------------------|

The accompanying notes are an integral part of this statement.

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

Exhibit G

Statement of Fiduciary Net Position
June 30, 2019

| | <u>Civil Agency Fund</u> |
|---------------------------|------------------------------|
| Assets | |
| Cash on Hand and in Banks | \$ 46,540 |
| Total Assets | <u>\$ 46,540</u> |
| Liabilities | |
| Due to General Fund | \$ 19,172 |
| Due to Others | <u>27,368</u> |
| Total Liabilities | <u>\$ 46,540</u> |
| Net Position | <u>\$ -</u> |

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
For the Year Ended June 30, 2019

Narrative Profile

The Marshal's Office – City Court of Hammond (hereinafter referred to as the “Marshal”) is separate and apart from the Hammond City Court (hereinafter referred to as the “Court”) and was created under the authority of Louisiana Revised Statutes (RS) 13:1871-2512. The purpose of the Marshal is to execute the orders and mandates of the Court, to include making arrests, preserving the peace, processing judgments and garnishments, and similar functions. The Marshal has jurisdiction within the Seventh Ward of Tangipahoa Parish. The Marshal presently employs fifteen people to include the Marshal, five full time Deputy Marshals, and nine part-time Deputy Marshals. The Marshal presently maintains an office in the Court building. Revenues for the Marshal include court costs assessed on all criminal cases handled by the Court and appropriations from the City of Hammond (hereinafter referred to as the “City”). Revenues are used in defraying the costs of operating the Marshal. Major expenditures of the Marshal include salaries & benefits, automobile expenditures, and general office expenditures.

The accounting and reporting policies of the Marshal conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of RS 24:513 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and in the industry audit guide, *Audits of State and Local Governmental Units*.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

B. Fund Accounting

The Marshal uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain 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 general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

expendable resources that may be used to finance future period programs or operations of the Marshal. The following is the Marshal's governmental fund:

General Fund – the general operating fund of the Marshal 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 to the Marshal's policy.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, these funds have no measurement focus, but use the modified accrual basis of accounting. The following is the Marshal's fiduciary fund:

Civil Agency Fund – This fund is used to account for assets held by the Marshal as an agent for individuals or private organizations.

C. Measurement Focus / Basis of Accounting

Basic Financial Statements – Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Marshal as a whole and include all the non-fiduciary activities of the Marshal. 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues. The Marshal does not allocate indirect expenses.

Basic Financial Statements – Governmental Funds

The amounts reflected in the General Fund are 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 balance reports on the sources (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 the operations of the Marshal.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under this 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 considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related 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 fund uses 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, 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.

Reconciliation – Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities is presented in Statement F of the basic financial statements.

D. Budgets and Budgetary Accounting

The Marshal follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The fiscal deputy prepares a proposed budget and submits this budget to the Marshal no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2019, was published on May 25, 2018.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing was held on the proposed budget for the year ended June 30, 2019, on June 15, 2018.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted. The proposed budget for the year ended June 30, 2019, was adopted on June 25, 2018.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Marshal. The budget for the year ended June 30, 2019, was amended on June 7, 2019.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended, if applicable, by the Marshal.
7. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets, if applicable. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended, if applicable. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

E. Cash, Cash Equivalents, and Investments

Cash includes cash on hand, demand deposits, interest bearing demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the Marshal 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. Under state law, the Marshal may also 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. Investments for the Marshal are reported at cost.

F. Prepaid Items

The Marshal recognizes expenditures for insurance and similar services extending over more than one accounting period when paid.

G. Capital Assets

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the Marshal's capitalization threshold of \$500 is met. Capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value at the date of donation.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

H. Compensated Absences

All full-time employees of the Marshal who are paid on a salary basis and work a regular full-time workweek earn sick leave and annual leave. Employees with between six months and 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 recognizes an expenditure for sick leave benefits when payments are made to employees.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Employees earn from one to four weeks of annual leave each year depending on length of service. Employees are required to take all vacation days each year by his or her anniversary date. Unused days cannot be carried over to the next year. Therefore, vacation days not used during that year will be lost. Unused annual leave is payable to the employee upon termination.

I. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Marshal's pension plan and additions to / deductions from the plan's fiduciary net position have been determined on the accrual basis, which is the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Equity Classifications

Government-Wide Net Position:

Government-wide net position is divided into three components:

1. 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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – Consists of resources with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by (b) laws through constitutional provisions or enabling legislation.
3. Unrestricted – All other resources that do not meet the definition of “restricted” or “net investment in capital assets.”

The Marshal considers restricted resources to be spent for government-wide expenses first when both restricted and unrestricted resources are available.

Governmental Fund Balances:

The Marshal follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the reporting of fund balance in the balance sheet of governmental type funds. In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of state statutes, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Committed Fund Balance – amounts that can be used only for the specific purposes determined by a formal action by the Marshal.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

4. Assigned Fund Balance – amounts that are constrained by the Marshal's intent that they will be used for specific purposes. The Marshal is the only individual authorized to assign amounts and is the highest level of decision-making. Therefore, amounts must be reported as committed.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Marshal considers restricted balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Marshal also considers committed and assigned balances to be spent first when other unassigned balances are available for use.

K. Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end. The Marshal was in compliance with the Local Budget Act. See Note 1-D for the Marshal's budgetary accounting procedures.

B. Deposits, Investment Laws and Regulations

In accordance with state law, all uninsured deposits of in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 3 regarding cash and cash equivalents, the Marshal was in compliance with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2019, no funds of the Marshal had deficit fund equities.

3. Cash, Cash Equivalents, and Investments

As reflected on Exhibit A, the Marshal has cash and cash equivalents totaling \$280,206 and investments totaling \$235,604 at June 30, 2019. Total cash from fiduciary responsibilities not reported on the government-wide financial statements was \$46,540. These deposits are stated at cost, which approximates market.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

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

The following is a summary of cash, cash equivalents, and investments (bank balances) at June 30, 2019, with the related federal deposit insurance and pledged securities:

Bank Balances:

| | |
|---|-------------------|
| Insured (FDIC Insurance) | \$ 598,490 |
| Uninsured and Collateralized: | |
| Collateral held by pledging bank's trust department not in the Marshal's name | 17,394 |
| Uninsured and Uncollateralized | <u>-</u> |
| Total Deposits | <u>\$ 615,884</u> |

Even though the pledged securities are not held in the entity's name, RS 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Marshal that the fiscal agent has failed to pay deposited funds upon demand.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3) under the provisions of GASB Statement 40. Custodial credit risk is the risk that in the event of a bank failure, the Marshal's deposits may not be returned to it. The Marshal does not have a deposits policy for custodial risk. As of June 30, 2019, the Marshal was in compliance with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

4. Due from Other Governments

Amounts due from other governmental units at June 30, 2019, consisted of the following:

| | |
|--|------------------|
| City of Hammond | \$ 19,473 |
| City Court of Hammond | 12,394 |
| Less: Allowance for Uncollectible Accounts | <u>-</u> |
| | <u>\$ 31,867</u> |

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

5. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

| <u>Governmental Activities</u> | <u>Balance 07/01/18</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 06/30/19</u> |
|--------------------------------|-----------------------------|-------------------|-------------------|-----------------------------|
| Office Equipment | \$ 107,516 | \$ 921 | \$ (86,410) | \$ 22,027 |
| Software | 65,259 | - | - | 65,259 |
| Automobiles | 94,645 | - | (21,294) | 73,351 |
| Total | 267,420 | 921 | (107,704) | 160,637 |
| Accumulated Depreciation: | | | | |
| Office Equipment | 105,546 | 1,133 | (86,410) | 20,269 |
| Software | 59,706 | 5,327 | - | 65,033 |
| Automobiles | 94,453 | 193 | (21,294) | 73,352 |
| Total | 259,705 | 6,653 | (107,704) | 158,654 |
| Capital Assets, Net | <u>\$ 7,715</u> | <u>\$ (5,732)</u> | <u>\$ -</u> | <u>\$ 1,983</u> |

The following estimated useful lives and methods are used to compute depreciation:

| | | |
|-----------------------|----------|----------------------|
| Furniture & Equipment | 5 Years | Straight-Line Method |
| Radios | 10 Years | Straight-Line Method |
| Software | 5 Years | Straight-Line Method |
| Vehicles | 5 Years | Straight-Line Method |

6. Employees Pension Plan (Municipal Employees' Retirement System)

General Information about the Pension Plan

Plan Description – Employees of the Marshal are eligible for participation in the Municipal Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 356 of the 1954 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.mersla.com/annual-reports. The report may also be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, LA 70809, or at (225) 925-4810.

Benefits Provided – The System provides retirement, disability, and death benefits. Retirement benefits are generally determined as 3.0% of the employee's final compensation multiplied by the employee's years of creditable service. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 62. Employees are eligible for disability benefits under age 60 with 5 years of service. Survivor's benefits are available upon the death of a member who has credit for 5 or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System's Board of Trustees. Employees are required to contribute 9.50% of their annual pay. The Marshal's contractually required contribution rate for the year ended June 30, 2019, was 26.00% of annual payroll. Contributions to the System from the Marshal were \$69,032 for the year ended June 30, 2019.

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

At June 30, 2019, the Marshal reported a liability of \$569,376 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Marshal's proportion of the net pension liability was based on a projection of the Marshal's June 30, 2019, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Marshal's proportion was 0.137508%, which was a decrease of 0.048257% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Marshal recognized pension benefit of \$36,438. At June 30, 2019, the Marshal reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ - | \$ 20,243 |
| Changes in Assumptions | 17,140 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 87,254 | - |
| Changes in Proportion and Differences Between Marshal Contributions and Proportionate Share of Contributions | - | 135,285 |
| Marshal Contributions Subsequent to the Measurement Date | 68,974 | - |
| | <u>\$ 173,368</u> | <u>\$ 155,528</u> |

\$68,974 reported as deferred outflows of resources related to pensions resulting from the Marshal's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended: | |
|--------------------|----------|
| June 30, 2019 | (33,043) |
| June 30, 2020 | (28,099) |
| June 30, 2021 | 7,696 |
| June 30, 2022 | 2,494 |
| Thereafter | - |

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-------------------------------------|--|
| Actuarial Cost Method | Entry Age Normal Cost |
| Expected Remaining Service Life | 3-Years |
| Investment Rate of Return | 7.275%, Net of Investment Expense |
| Inflation | 2.6% |
| Salary Increases | 5.0% (2.775% Inflation, 2.225% Merit) |
| Annuitant and Beneficiary Mortality | RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA. |
| Employee Mortality | RP-2000 Employees Sex Distinct Table set back 2 years for both males and females. |
| Disabled Lives Mortality | RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 for females. |

The actuarial assumptions used in the June 30, 2018, valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------|--|
| Public Equity | 50.00% | 2.20% |
| Public Fixed Income | 35.00% | 1.50% |
| Alternatives | 15.00% | 0.60% |
| Total | 100.00% | 4.30% |
| Inflation | | 2.70% |
| Expected Arithmetic Nominal Return | | 7.00% |

Discount Rate – The discount rate used to measure the total pension liability was 7.275% for the year ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Marshal's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Marshal's proportionate share of the net pension liability calculated using the discount rate of 7.275%, as well as what the Marshal's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275%) or one percentage-point higher (8.275%) than the current rate:

| | 1.0% Decrease (6.275%) | Current Discount Rate (7.275%) | 1.0% Increase (8.275%) |
|---|------------------------------|--------------------------------------|------------------------------|
| Marshal's Proportionate Share of the Net Pension Liability | \$ 731,416 | \$ 569,376 | \$ 431,070 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

Payables to the Pension Plan – As of June 30, 2019, the Marshal owed \$-0- to the System for the Marshal's June 2019 payroll.

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

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

7. On-Behalf Payments for Salaries and Benefits

The Marshal follows GASB Statement No. 24, “Accounting and Financial Reporting for Certain Grants and Other Financial Assistance.” This standard requires the Marshal to report in the financial statements on-behalf salary and fringe benefit payments made by the State of Louisiana to the Marshal and deputies.

Supplementary salary payments are made by the State directly to the Marshal and deputies. The Marshal is not legally responsible for these salary supplements. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contributions made by the State. For the fiscal year ended June 30, 2019, the State paid \$18,000 in supplemental salary payments to the Marshal and deputies.

8. Deferred Compensation Plan

The Marshal 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 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, 2019, \$5,200 was applicable to employees of the Marshal.

9. Changes in Long-Term Debt

The following is a summary of debt transactions for the Marshal for the year ended June 30, 2019:

| Type of Debt | Balance at 07/01/18 | Issuances | Payments | Balance at 06/30/19 | Due Within One Year |
|------------------|------------------------|-----------|----------|------------------------|------------------------|
| Promissory Notes | 946 | - | 946 | - | - |
| Total | \$ 946 | \$ - | \$ 946 | \$ - | \$ - |

Promissory Notes:

\$13,300 Promissory Note payable to Hancock Bank dated 09/30/13;

Due in 60 monthly installments of \$237.74; With interest at 2.79% (Payable from the excess revenues of the General Fund).

\$ -

Required Supplemental Information (Part II)

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

Schedule 1

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|----------------------------|-------------------------|---------------------------|---|
| Revenues: | | | | |
| Criminal / Civil Court Fees | \$ 250,000 | \$ 239,000 | \$ 238,752 | \$ (248) |
| Marshal's Bond Fees | 2,200 | 3,000 | 2,900 | (100) |
| City of Hammond Appropriations | 320,000 | 320,000 | 320,000 | - |
| Intergovernmental | 121,550 | 121,550 | 121,850 | 300 |
| On Behalf Payments by State | 18,000 | 18,000 | 18,000 | - |
| Miscellaneous Income | <u>1,800</u> | <u>3,700</u> | <u>22,579</u> | <u>18,879</u> |
| Total Revenues | 713,550 | 705,250 | 724,081 | 18,831 |
| Expenditures: | | | | |
| General Government: | | | | |
| Salaries & Related Benefits: | | | | |
| Marshal | 83,535 | 83,535 | 88,082 | (4,547) |
| Deputies | 284,463 | 293,000 | 290,046 | 2,954 |
| Payroll Taxes | 31,500 | 31,500 | 31,154 | 346 |
| Retirement Contributions | 63,000 | 69,000 | 68,974 | 26 |
| Hospitalization Insurance | 53,600 | 54,200 | 47,692 | 6,508 |
| Automobile | 36,600 | 29,500 | 23,583 | 5,917 |
| Computer Maintenance | 12,400 | 4,500 | 4,221 | 279 |
| Insurance | 78,331 | 60,331 | 68,330 | (7,999) |
| Office Supplies and Telephone | 21,500 | 18,000 | 17,369 | 631 |
| Legal and Accounting | 29,171 | 22,600 | 20,873 | 1,727 |
| Other Expenditures | 8,700 | 11,600 | 9,600 | 2,000 |
| Capital Outlay | 10,000 | - | 921 | (921) |
| Debt Service | <u>750</u> | <u>750</u> | <u>949</u> | <u>(199)</u> |
| Total Expenditures | <u>713,550</u> | <u>678,516</u> | <u>671,794</u> | <u>6,722</u> |
| Excess of Revenues over Expenditures | - | 26,734 | 52,287 | 25,553 |
| Fund Balance - Beginning of the Year | <u>500,413</u> | <u>500,413</u> | <u>500,413</u> | <u>-</u> |
| Fund Balance - End of the Year | <u>\$ 500,413</u> | <u>\$ 527,147</u> | <u>\$ 552,700</u> | <u>\$ 25,553</u> |

See independent auditor's report.

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

Schedule 2

Schedule of the Marshal's Proportionate Share of the Net Pension Liability –
Municipal Employees' Retirement System of Louisiana
For the Year Ended June 30, 2019

| <u>Fiscal Year*</u> | <u>Marshal's Proportion of the Net Pension Liability</u> | <u>Marshal's Proportionate Share of the Net Pension Liability</u> | <u>Marshal's Covered Employee Payroll</u> | <u>Marshal's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|---------------------|--|---|---|---|---|
| 2019 | 0.137508% | \$ 569,376 | \$ 265,507 | 214.45% | 62.49% |
| 2018 | 0.185765% | \$ 777,133 | \$ 251,053 | 309.55% | 62.49% |
| 2017 | 0.210398% | \$ 862,361 | \$ 337,184 | 255.75% | 62.11% |
| 2016 | 0.255930% | \$ 914,222 | \$ 375,862 | 243.23% | 66.18% |
| 2015 | 0.277104% | \$ 711,172 | \$ 459,316 | 154.83% | 73.99% |
| 2014 | 0.267932% | \$ 830,431 | \$ 442,135 | 187.82% | 67.97% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

See independent auditor's report.

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

Schedule 3

Schedule of Marshal Contributions –
Municipal Employees' Retirement System of Louisiana
For the Year Ended June 30, 2019

| <u>Fiscal Year*</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Deficiency / (Excess)</u> | <u>Marshal's Covered Employee Payroll</u> | <u>Contributions as a Percentage of Covered Employee Payroll</u> |
|---------------------|--|---|---|---|--|
| 2019 | \$ 69,032 | \$ (69,032) | \$ - | \$ 265,507 | 26.00% |
| 2018 | \$ 62,135 | \$ (62,135) | \$ - | \$ 251,053 | 24.75% |
| 2017 | \$ 76,750 | \$ (76,750) | \$ - | \$ 337,184 | 22.76% |
| 2016 | \$ 74,229 | \$ (74,229) | \$ - | \$ 375,862 | 19.75% |
| 2015 | \$ 86,270 | \$ (86,270) | \$ - | \$ 459,316 | 18.78% |
| 2014 | \$ 86,220 | \$ (86,220) | \$ - | \$ 442,135 | 19.50% |

* The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

See independent auditor's report.

Other Supplemental Information

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

Schedule 4

Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2019

Agency Head: Honorable Pat Farris, Hammond City Marshal

| <u>Purpose</u> | <u>Amount</u> |
|--|-------------------|
| Compensation | |
| Salary | |
| Paid From City of Hammond Budget Funds | \$ 42,369 |
| Paid From Tangipahoa Parish | 14,586 |
| Paid From Civil Fees | 31,127 |
| Benefits - Insurance | |
| Health | 7,229 |
| Dental | 332 |
| Group Term Life | 72 |
| Long Term Disability | 446 |
| Benefits - Retirement (26.00%) | |
| Salary from City of Hammond, State Supplemental Pay, Tangipahoa Parish | 16,368 |
| Civil Fees | 8,093 |
| Total Compensation per RS 13:5807.2 | <u>120,622</u> |
| Other | |
| Benefits - Other - Supplemental Pay | 6,000 |
| Dues | 125 |
| Reimbursements - Gas for Marshal's Owned 2009 F150 Truck | 1,992 |
| Total Other | <u>8,117</u> |
| Grand Total | <u>\$ 128,739</u> |

See independent auditor's report.

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

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Megan E. Lynch, CPA
Christie J. Barado
B. Jacob Steib
Connor J. Collura
Sharon B. Bravata
Krystal L. Waddell
Debbie G. Faust, EA



**JAMES
LAMBERT RIGGS
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CERTIFIED PUBLIC ACCOUNTANTS
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Member of
American Institute of CPAs
Society of Louisiana CPAs

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

The Honorable Pat Farris
Marshal, City Court of Hammond
Hammond, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Marshal's Office, City Court of Hammond, as of for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Marshal's Office, City Court of Hammond's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marshal's Office, City Court of Hammond's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshal's Office, City Court of Hammond's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshal's Office, City Court of Hammond's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

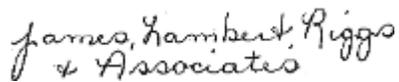
As part of obtaining reasonable assurance about whether the Marshal's Office, City Court of Hammond's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests

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

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "James Lambert Riggs & Associates".

James Lambert Riggs & Associates, Inc.

Hammond, Louisiana
November 20, 2019

**Marshal's Office – City Court of Hammond
Hammond, Louisiana**
Schedule of Current Year Audit Findings and Responses
For the Year Ended June 30, 2019

We have audited, 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, the financial statements of the governmental activities, the general fund, 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, 2019, and the related notes to the financial statements, which collectively comprise the Marshal's Office, City Court of Hammond's basic financial statements, and have issued our report thereon dated November 20, 2019. Our audit of the basic financial statements resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

| | | | | |
|--------------------------|-----|-----|-----|----|
| Material Weakness | ___ | Yes | ___ | No |
| Significant Deficiencies | ___ | Yes | ___ | No |

Compliance:

| | | | | |
|---|-----|-----|-----|----|
| Compliance Material to the Financial Statements | ___ | Yes | ___ | No |
|---|-----|-----|-----|----|

2. Management Letter

| | | | | |
|---------------------------------|-----|-----|-----|----|
| Was a management letter issued? | ___ | Yes | ___ | No |
|---------------------------------|-----|-----|-----|----|

Section II Financial Statement Findings

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

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

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

| <u>Ref.#</u> | <u>Fiscal Year Findings Occurred</u> | <u>Description of Findings</u> | <u>Finding Resolved</u> | <u>Corrective Action Taken</u> |
|--|--------------------------------------|---|-------------------------|--|
| <u>Internal Control over Financial Reporting</u> | | | | |
| None | | | | |
| <u>Compliance and Other Matters</u> | | | | |
| 2018-001 | 2018 | Louisiana Fiscal Agency and Cash Management Law | Yes | Marshal contacted fiscal agent bank and pledged additional securities to secure deposits |

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

MARSHAL'S OFFICE CITY COURT OF HAMMOND
STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT
FOR THE YEAR ENDED JUNE 30, 2019

Dennis E. James, CPA
Lyle E. Lambert, CPA
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Independent Accountants' Report on Applying Agreed-Upon Procedures

To Honorable Pat Farris, Marshal
Marshal's Office, City Court of Hammond
Hammond, Louisiana and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Marshal's Office of the City of Hammond and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Marshal's Office's management is responsible for those control and compliance areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Marshal's Office and the Louisiana Legislative Auditor. 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.

Our procedures and findings are detailed in Schedule "A".

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. This report is intended solely for the information and use of the Marshal's Office and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads 'James Lambert Riggs & Associates'.

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

November 20, 2019

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Results: No exceptions were found as a result of this procedure.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: No exceptions were found as a result of this procedure.

- c) **Disbursements**, including processing, reviewing, and approving

Results: No exceptions were found as a result of this procedure.

- d) **Receipts / Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: The Marshal's Office has a policy for receipts / collections; however, it only addresses cash collections of bonds and does not include other sources of revenue.

- e) **Payroll / Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked

Results: No exceptions were found as a result of this procedure.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: No exceptions were found as a result of this procedure.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: No exceptions were found as a result of this procedure.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: No exceptions were found as a result of this procedure.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: No exceptions were found as a result of this procedure.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Results: The Marshal's Office has a policy for debt service; however, it is a very generic policy since the Marshal's Office has no history issuing long-term debt, other than vehicle leases.

- k) **Disaster Recovery / Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing / verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches / updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The Marshal's Office currently has a rough draft of a disaster recovery / business continuity policy and is in the process of being improved and developed.

Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Results: Management provided us with the required listing of bank accounts as well as management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: No exceptions were found as a result of this procedure.

- b) Bank reconciliations include evidence that a member of management / board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: No exceptions were found as a result of this procedure.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Two of the four bank accounts examined have outstanding items more than 12 months from the statement closing date; however, the Marshal's Office has documentation reflecting that it has researched these items.

Collections

- 3. Obtain a listing of deposit sites for the fiscal period where deposits for cash / checks / money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: Management provided us with the required listing of deposit sites as well as management's representation that the listing is complete.

- 4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers / registers.

Results: Employees that are responsible for cash collections do share cash drawers / registers.

- b) Each employee responsible for collecting cash is not responsible for preparing / making bank deposits, unless another employee / official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: The Fiscal Deputy and the Chief Deputy both collect cash and are responsible for preparing / making bank deposits. However, if one of them prepares / makes the deposit, the other employee is responsible for reconciling the collection documentation.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee / official is responsible for reconciling ledger postings to each other and to the deposit.

Results: The Fiscal Deputy and the Chief Deputy both collect cash and are responsible for posting collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and / or subsidiary ledgers, by revenue source and / or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: The Fiscal Deputy and the Chief Deputy are responsible for reconciling cash collections to the general ledger and both collect cash. However, if one of the aforementioned employees reconcile the collections, then the other employee with verify the reconciliation.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were found as a result of this procedure.

6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of this procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of this procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Results: No exceptions were found as a result of this procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Management provided us with the required listing of locations that process payments as well as management's representation that the listing is complete.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order / making the purchase.

Results: No exceptions were found as a result of this procedure.

b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of this procedure.

c) The employee responsible for processing payments is prohibited from adding / modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of this procedure.

d) Either the employee / official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of this procedure.

9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice / billing statement.

Results: No exceptions were found as a result of this procedure.

b) Observe that the disbursement documentation included evidence (e.g., initial / date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of this procedure.



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November 21, 2019

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Ref: Managements Response to SAUP's

Please find below the Seventh Ward Marshal's Office response to the audit of SAUP's performed by James, Lambert Riggs & Associates, Inc.

We are presently in the process of revisiting our Receipt/Collections policy to modify certain procedures to meet changing practices within our office. We will have this finalized by next year.

We continue to develop a Disaster Recovery/Business Continuity policy as well, we also anticipate having this finalized by next year.

Overall the Marshal's office has found the audit process to be very beneficial. We appreciate the auditors' recommendations and have taken steps to address them in a positive manner.

We look forward to a continued relationship with your office.

With kindest regards,

Pat Farris
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7th Ward Marshal's Office
Hammond City Court

Kerry Balado
Fiscal Deputy
7th Ward Marshal's Office
Hammond City Court

Marlene Hinshaw
Chief Deputy
7th Ward Marshal's Office
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