

Component Unit Financial Statements
And Report of Independent Auditors
With Supplemental Information

Ward Three Marshal – City of Lake Charles, Louisiana

December 31, 2021

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	3-5
Management's Discussion and Analysis (Unaudited)	6-9
Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	10
Reconciliation of Governmental Fund Balance to Net Position	11
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of Change in Governmental Fund Balance to the Statement of Activities	13
Notes to the Financial Statements	14-22
Required Supplemental Information:	
Budgetary Comparison Schedule – Budgetary (Non-GAAP) Basis	23
Note to Required Supplemental Information – Budgetary Reporting	24
Other Supplemental Information:	
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	25
Justice System Funding Reporting Schedule – Receiving Entity	26
Justice System Funding Reporting Schedule – Collecting/Disbursing Entity	27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Responses	30-32

Independent Auditors' Report

Honorable Nathan Keller
Ward Three Marshal – City of Lake Charles, Louisiana
Lake Charles, Louisiana

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Marshal's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ward Three Marshal as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepts 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ward Three Marshal's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ward Three Marshal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ward Three Marshal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 and the budgetary comparison information on pages 23-24, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ward Three Marshal's basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer, Justice system funding reporting schedule – receiving entity, and Justice system funding reporting schedule – collecting/disbursing entity are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Ward Three Marshal. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 or chief executive officer, Justice system funding reporting schedule – receiving entity, and Justice system funding reporting schedule – collecting/disbursing entity are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2022, on our consideration of the Ward Three Marshal'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 Ward Three Marshal'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 Ward Three Marshal's internal control over financial reporting and compliance.



Lake Charles, Louisiana
May 24, 2022

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

Management's Discussion and Analysis

Within this section of the Ward Three Marshal - City of Lake Charles, Louisiana's (Marshal) annual financial report, the Marshal's management is pleased to provide this narrative discussion and analysis of the financial activities of the Marshal for the years ended December 31, 2021, 2020 and 2019. The Marshal's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

As provided by Louisiana State Statute, the Marshal serves a six-year term as the chief executive officer of the City Court of Lake Charles, Louisiana (City). The Honorable Nathan Keller was elected on December 7, 2020 and began serving his term effective January 1, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. This Management's Discussion and Analysis document introduces the Marshal's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Marshal also includes in this report additional information to supplement the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Marshal's office:

Government-Wide Financial Statements

The Marshal's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Marshal's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the Statement of Net Position. This is the government-wide statement of position presenting information that includes all of the Marshal's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Marshal as a whole is improving or deteriorating. Evaluation of the overall health of the Marshal would extend to information other than the financial information provided in this report, such as diversification of the revenue base.

The second government-wide statement is the Statement of Activities, which reports how the Marshal's net position changed during the current and previous fiscal year. All revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Marshal's distinct activities or functions on revenues provided.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Marshal uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Marshal's most significant funds rather than the Marshal as a whole.

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

Management's Discussion and Analysis

Governmental Funds

The Marshal's office uses three funds: General Fund, Garnishment Fund, and Equipment and Training Fund. The General Fund is used to account for and report all revenues and expenditures not accounted for in the Garnishment or Equipment and Training Fund. The Garnishment Fund is used to account for funds collected by City Court for garnishments. The Equipment and Training Fund is used to account and report funds that are restricted or committed to expenditure for equipment and training as specified in Louisiana Revised Statute R.S. 13:5807 as amended by Act No. 166 or the 2020 regular session.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information as indicated in the table of contents.

FINANCIAL HIGHLIGHTS

- The Marshal's assets exceeded its liabilities by \$594,354 (net position) at December 31, 2021. Net assets increased by \$171,413 during the year ended December 31, 2021, mainly due to increases in reserve and grant income.
- Net capital assets increased by \$51,201 during the year ended December 31, 2021, mainly due to the purchase of new vehicles.
- As of December 31, 2021, the Marshal's office had no debt.
- Total net position is comprised of the following:
 1. \$40,000 restricted for litter law enforcement.
 2. \$38,122 restricted for equipment and training to assist in the purchasing or updating of necessary equipment and officer training to carry out the efficient performance of all duties imposed by law on constables and marshals.
 3. Net investment in capital assets of \$152,384 include automobiles, equipment, furniture and building improvements net of accumulated depreciation. There is no outstanding debt related to the purchase or construction of capital assets.
 4. Unrestricted net position of \$363,848 at December 31, 2021 represents the portion available to maintain the Marshal's continuing operations.

BUDGETARY HIGHLIGHTS

The actual revenues were more than the budget by \$351,425, or 18.9%, mainly due to reserve officer income and intergovernmental revenues. The actual expenditures were more than the budgeted expenditures by \$306,378, or 17.3%, mainly due to contract labor – reserve officers and operating expenditures.

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE MARSHAL AS A WHOLE

Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Marshal as a whole.

The following table provides a summary of the Marshal's net position:

	2021	2020	2019
ASSETS			
Cash	\$ 400,686	\$ 310,096	\$ 561,304
Accounts receivable	89,643	13,078	1,097
Capital assets, net of accumulated depreciation	<u>152,384</u>	<u>101,183</u>	<u>89,849</u>
TOTAL ASSETS	642,713	424,357	652,250
LIABILITIES			
Due to others	12,721	-	-
Payroll liabilities	8,557	1,416	3,240
Accounts payable	26,052	-	4,908
Accrued liabilities	<u>1,029</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	48,359	1,416	8,148
NET POSITION			
Restricted for Litter Law Enforcement	40,000	-	-
Restricted for Garnishments	-	14,502	806
Restricted for Equipment and Training	38,122	40,013	-
Net investment in capital assets	152,384	101,183	89,849
Unrestricted	<u>363,848</u>	<u>267,243</u>	<u>553,447</u>
TOTAL NET POSITION	<u>\$ 594,354</u>	<u>\$ 422,941</u>	<u>\$ 644,102</u>

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

Management's Discussion and Analysis

The following table provides a summary of the Marshal's changes in net position:

	2021	2020	2019
REVENUES			
Court fees and commissions	\$ 375,756	\$ 263,315	\$ 435,542
Intergovernmental - City of Lake Charles*	899,994	559,694	484,998
Grants	141,500	-	-
Garnished funds collected	849,911	948,480	1,470,560
Reserve Officer Income	841,290	146,482	232,022
Interest	28	12	116
Other	<u>5,206</u>	<u>2,310</u>	<u>5,077</u>
TOTAL REVENUES	3,113,685	1,920,293	2,628,315
EXPENDITURES			
Salaries and related benefits	906,562	773,836	736,581
Operating expenses*	244,633	61,129	70,341
Auto	25,582	18,851	14,951
Contract labor – reserve officers	800,293	258,378	310,165
Office expense	26,082	41,643	20,985
Garnished funds paid	864,421	934,761	1,475,481
Uniforms and supplies	42,977	24,871	72,271
Depreciation	<u>31,722</u>	<u>27,985</u>	<u>31,900</u>
TOTAL EXPENDITURES	2,942,272	2,141,454	2,732,675
Change in Net Position	171,413	(221,161)	(104,360)
Net Position - Beginning of year	<u>422,941</u>	<u>644,102</u>	<u>748,462</u>
Net Position - End of year	<u>\$ 594,354</u>	<u>\$ 422,941</u>	<u>\$ 644,102</u>

*2020 and 2019 summaries do not include other operating expenses paid directly by the City of Lake Charles.

CONTACTING THE MARSHAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Marshal's finances, comply with finance-related laws and regulations, and demonstrate the Marshal's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Marshal, Nathan Keller, P.O. Box 1785 Lake Charles, LA 70602.

BASIC FINANCIAL STATEMENTS

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
 December 31, 2021

	General Fund	Garnishment Fund	Equipment and Training Fund	Total Governmental Funds	Adjustments	Statement of Net Position
ASSETS						
Cash	\$ 387,965	\$ 12,721	\$ -	\$ 400,686	\$ -	\$ 400,686
Accounts receivable	89,643	-	-	89,643	-	89,643
Due from other funds	-	-	38,122	38,122	(38,122)	-
Capital assets, net of accumulated depreciation	-	-	-	-	152,384	152,384
TOTAL ASSETS	<u>\$ 477,608</u>	<u>\$ 12,721</u>	<u>\$ 38,122</u>	<u>\$ 528,451</u>	<u>\$ 114,262</u>	<u>\$ 642,713</u>
LIABILITIES						
Due to others	-	12,721	-	12,721	-	12,721
Due to other funds	38,122	-	-	38,122	(38,122)	-
Payroll liabilities	8,557	-	-	8,557	-	8,557
Accounts payable	26,052	-	-	26,052	-	26,052
Accrued liabilities	<u>1,029</u>	<u>-</u>	<u>-</u>	<u>1,029</u>	<u>-</u>	<u>1,029</u>
TOTAL LIABILITIES	<u>73,760</u>	<u>12,721</u>	<u>-</u>	<u>86,481</u>	<u>(38,122)</u>	<u>48,359</u>
FUND BALANCES/NET POSITION						
Fund Balance						
Restricted for Litter Law Enforcement	40,000	-	-	40,000	(40,000)	-
Restricted for Equipment and Training	-	-	38,122	38,122	(38,122)	-
Unassigned	<u>363,848</u>	<u>-</u>	<u>-</u>	<u>363,848</u>	<u>(363,848)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>403,848</u>	<u>-</u>	<u>38,122</u>	<u>441,970</u>	<u>(441,970)</u>	<u>-</u>
TOTAL FUND BALANCE AND LIABILITIES	<u>\$ 477,608</u>	<u>\$ 12,721</u>	<u>\$ 38,122</u>	<u>\$ 528,451</u>		
NET POSITION						
Restricted for Litter Law Enforcement					40,000	40,000
Restricted for Equipment and Training					38,122	38,122
Net investment in capital assets					152,384	152,384
Unrestricted					<u>363,848</u>	<u>363,848</u>
TOTAL NET POSITION					<u>\$ 594,354</u>	<u>\$ 594,354</u>

See Accompanying Notes to the Financial Statements

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION
December 31, 2021

Total Governmental Fund Balances \$ 441,970

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

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

Building improvements	48,018
Automobiles	445,192
Equipment	247,941
Furniture and fixtures	13,763
Accumulated depreciation	<u>(602,530)</u>
Other capital assets, net of accumulated depreciation	152,384

Interfund receivables are eliminated in reporting total assets (38,122)

Total asset adjustments 114,262

Interfund payables are eliminated in reporting total assets 38,122

Total liability adjustments 38,122

Net position of governmental activities \$ 594,354

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2021

	Program Revenues			Total Governmental Funds	Adjustments	Statement of Activities
	General Fund	Garnishment Fund	Equipment and Training Fund			
REVENUES						
Court fees and commissions	\$ 323,613	\$ -	\$ 52,143	\$ 375,756	\$ -	\$ 375,756
Intergovernmental - City of Lake Charles	899,994	-	-	899,994	-	899,994
Grants	141,500	-	-	141,500	-	141,500
Garnished funds collected	-	849,911	-	849,911	-	849,911
Reserve officer income	841,290	-	-	841,290	-	841,290
Interest	20	8	-	28	-	28
Other	5,206	-	-	5,206	-	5,206
TOTAL REVENUES	2,211,623	849,919	52,143	3,113,685	-	3,113,685
EXPENDITURES						
Salaries and related benefits	906,562	-	-	906,562	-	906,562
Operating expenses	240,012	-	4,621	244,633	-	244,633
Auto	25,582	-	-	25,582	-	25,582
Contract labor - reserve officers	800,293	-	-	800,293	-	800,293
Office expense	26,082	-	-	26,082	-	26,082
Garnished funds paid	-	864,421	-	864,421	-	864,421
Uniforms and supplies	-	-	42,977	42,977	-	42,977
Depreciation	-	-	-	-	31,722	31,722
Capital outlays	76,487	-	6,436	82,923	(82,923)	-
TOTAL EXPENDITURES	2,075,018	864,421	54,034	2,993,473	(51,201)	2,942,272
Change in Fund Balance/Net Position	136,605	(14,502)	(1,891)	120,212	51,201	171,413
Fund Balance/Net Position - Beginning of year	267,243	14,502	40,013	321,758	101,183	422,941
Fund Balance/Net Position - End of year	\$ 403,848	\$ -	\$ 38,122	\$ 441,970	\$ 152,384	\$ 594,354

See Accompanying Notes to the Financial Statements

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
December 31, 2021

Net change in fund balances - total governmental funds \$ 120,212
Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures, however,
in the statement of activities, assets with an individual cost of more than
\$500 are capitalized and the cost is allocated over their estimated useful lives and
reported as depreciation expense. For the current period, these amounts are:

Capital outlay	82,923	
Depreciation expense	<u>(31,722)</u>	
Excess of capital outlay over depreciation expense		<u>51,201</u>

Change in net position of governmental funds \$ 171,413

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided by Louisiana State Statute, the Marshal serves a six-year term as the chief executive officer of the City Court of Lake Charles, Louisiana (City). The Marshal's responsibilities include executing the orders and mandates and serving subpoenas of the City Court as well as enforcing state and local laws and ordinances within the territorial boundaries of Ward Three of Calcasieu Parish, Louisiana. The Marshal also collects and disburses garnishments of wages, cash bonds, and installment payments of fines under orders of the City Court.

Much of the operations of the Marshal's Office are funded by the City. The City pays the salaries of the regular deputy marshals and funds most of the operating expenditures, which is recorded as Intergovernmental revenues. These financial statements also include expenditures funded from other sources such as court fees, grants, and reserve income.

The City also provides the Marshal with office space. Such expenditures are included in the general fund, of the City of Lake Charles, LA and are not included in these component unit financial statements.

The financial statements of the Ward Three Marshal have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The more significant of the government's accounting policies are described below.

1. REPORTING ENTITY

As a governing authority of the city, for reporting purposes, the City of Lake Charles, Louisiana, is the financial reporting entity for the city. The financial reporting entity consists of (a) the primary government (city), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Lake Charles, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial responsibility. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

- a. Appointing a voting majority of an organization's governing body, and
 - 1) The ability of the City of Lake Charles to impose its will on that organization and/or
 - 2) The potential for the organization to provide specific financial benefits or to impose specific financial burden on the City of Lake Charles.
- b. Organizations for which the City of Lake Charles, Louisiana does not appoint a voting majority but are fiscally dependent on the City of Lake Charles.
- c. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Because the City of Lake Charles, Louisiana financial statements would be misleading if data of the Ward Three Marshal was not included and due to the nature and significance of the relationship, the Marshal was determined to be a component unit of the City of Lake Charles, Louisiana., the financial reporting entity. The accompanying financial statements present information on the funds maintained by the Marshal as well as expenses paid by the City that directly relate to the Marshal's office. They do not present information on the City, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

3. FUND ACCOUNTING

The Marshal uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds account for all of the Marshal's activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Marshal. The Marshal's governmental funds are as follows:

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The *General Fund* is the primary operating fund of the Marshal, and it accounts for all financial resources except those required to be accounted for in other funds. The Marshal's General Fund is used to account for receipts and disbursements of funds received from City Court costs and used in connection with the City Marshal's operating expenditures. These funds are held by the City and then distributed to the Marshal by the City.

The *Special Revenue Funds* are the funds established to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt and capital projects. The Marshal's special revenue funds are as follows:

- a. **Marshal's Garnishment Fund** - The Marshal's Garnishment Fund accounts for the collection of garnishments and the remittance of these funds to garnishment payees, after deducting fees due to the City Court and City Marshal for costs incurred in collecting and disbursing the funds.
- b. **Marshal's Equipment and Training Fund** - The Marshal's Equipment and Training Fund is used to account for the fees associated with Louisiana Statute R.S. 13:5807 as amended by Act No. 166 of the 2020 regular session. Funds shall be used to assist in the purchasing or updating of necessary equipment and officer training to carry out the efficient performance of all duties imposed by law on constables and marshals.

Interfund Transactions

Interfund transactions are reflected as loans and reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either due to or due from other funds.

4. EQUITY CLASSIFICATIONS

Government-Wide Net Position:

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

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

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental Fund Balances:

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be used only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by the Marshal. To be reported as committed, amounts cannot be used for any other purpose unless the Marshal takes the same highest level action to remove or change the constraint.

Assigned – amounts the Marshal intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose.

Use of Restricted Resources

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Marshal considers the restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Marshal considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

5. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Fund Financial Statements

The amounts reflected in the Governmental Funds 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 and uses of current financial resources. This approach is then reconciled, through adjustments to a government-wide view of the Marshal's operations.

The amounts reflected in the Governmental Funds 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 considers all revenues available if they are collected within 60 days after the fiscal year end.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the Marshal as a whole. These statements include all non-fiduciary activities of the Marshal. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenditures, 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.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Marshal's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Marshal, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program.

6. BUDGET PRACTICES

A general fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at year end. On or before the end of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Expenditures may not legally exceed budgeted appropriations at the activity level.

7. CASH

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, time deposits and those other investments with original maturities of 90 days or less. 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.

8. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. The Marshal maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The range of estimated useful lives by type of asset is as follows:

Building and improvements	40 years
Automobiles	5-7 years
Equipment	5-7 years
Furniture and fixtures	5-7 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

9. REVENUES AND EXPENDITURES

Revenue - Court fees and intergovernmental revenue are received in the month following collection by the City Court. The Marshal recognizes court fee revenue and intergovernmental revenue during the month they are collected by the City Court. The Marshal recognizes fees for reserve services in the period the service is performed. The Marshal recognizes revenue from garnishments in the period they are received. Grant income is recognized when received.

Expenditures - Salaries are recorded when paid. Other expenses are recorded when incurred. Purchases of capital assets and other goods and services are recorded when those goods or services have been delivered.

10. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2022, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Marshal's ongoing operations; however, the extent and severity of the potential impact is unknown at this time.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE B - CASH

Cash deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2021, the Marshal has \$460,316 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from various state and local agencies and customers and are deemed to be fully collectible by management.

NOTE D - COMMISSIONS

In accordance with state statute, the Marshal receives a commission of six percent of garnishments and other collections related to orders of the City Court as part of his compensation. The Marshal also receives six percent of the proceeds of sales of seized property as part of his compensation. During the year ended December 31, 2021, commissions paid to the Marshal from the related funds totaled \$57,823.

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021 follows:

Fixed Assets	12/31/2020	Additions	Retirements	12/31/2021
Automobiles	\$ 399,517	\$ 75,675	\$ (30,000)	\$ 445,192
Furniture and fixtures	13,763	-	-	13,763
Equipment	266,468	1,498	(20,025)	247,941
Buildings and improvements	<u>42,268</u>	<u>5,750</u>	<u>-</u>	<u>48,018</u>
Total	722,016	82,923	(50,025)	754,914
Less accumulated depreciation:				
Automobiles	388,846	15,930	(30,000)	374,776
Furniture and fixtures	13,763	-	-	13,763
Equipment	210,861	14,587	(20,025)	205,423
Buildings and improvements	<u>7,363</u>	<u>1,205</u>	<u>-</u>	<u>8,568</u>
Total	<u>620,833</u>	<u>31,722</u>	<u>(50,025)</u>	<u>602,530</u>
Capital Assets, Net	<u>\$ 101,183</u>	<u>\$ 51,201</u>	<u>\$ -</u>	<u>\$ 152,384</u>

Depreciation expense for the year was \$31,722.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE F - COMMITMENTS AND CONTINGENCIES

The Marshal is covered for substantially all business risks under the risk management programs of the City of Lake Charles, LA.

NOTE G – RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as restricted assets. Restricted Assets at December 31, 2021, consisted of the following:

Litter Law Enforcement	\$40,000
HB 315 Equipment and Training	<u>38,122</u>
Total Restricted Assets	<u>\$78,122</u>

NOTE H - ON-BEHALF PAYMENTS

The City of Lake Charles provides a substantial amount of fiscal support to the Marshal for its operations. The City made on-behalf payments of \$899,995 for the Marshal for the year ended December 31, 2021 as follows:

Salaries and related benefits	\$687,241
Operating expenses	<u>212,754</u>
	<u>\$899,995</u>

NOTE I – EMPLOYEES PENSION PLAN (MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM)

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.

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 5% of their annual pay. The Marshal’s contractually required contribution rate for the year ended December 31, 2021, was 15.50% of annual payroll. Contributions to the System from the Marshal were \$23,252 for the year ended December 31, 2021. The City of Lake Charles contributes to the Plan on behalf of the Marshal’s office for the payroll paid directly by the City.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(continued)

NOTE I – EMPLOYEES PENSION PLAN (MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM) - CONTINUED

At June 30, 2021, the City of Lake Charles reported a liability of \$13,456,506 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 not proportionately measured as a separate component unit of the City of Lake Charles. Detailed information about the City’s net pension liability can be obtained from the City of Lake Charles.

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 December 31, 2021, the Marshal owed \$1,078 to the System for the Marshal’s December 2021 payroll.

SUPPLEMENTAL INFORMATION

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 Year ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Court Fees and Commissions	\$ 373,767	\$ 383,878	\$ 323,613	\$ (60,265)
Intergovernmental - City of Lake Charles	633,214	633,214	899,994	266,780
Grants	101,500	141,500	141,500	-
Reserve Income	372,590	700,000	841,290	141,290
Interest	5	6	20	14
Other Income	1,107	1,600	5,206	3,606
Total revenues	<u>1,482,183</u>	<u>1,860,198</u>	<u>2,211,623</u>	<u>351,425</u>
Expenditures:				
Salaries and related benefits	869,138	887,320	906,562	(19,242)
Operating expenses	157,170	166,110	240,012	(73,902)
Auto	52,638	121,010	25,582	95,428
Contract labor	366,075	545,000	800,293	(255,293)
Office expense	22,312	23,200	26,082	(2,882)
Capital Outlay	33,057	26,000	76,487	(50,487)
Total expenditures	<u>1,500,390</u>	<u>1,768,640</u>	<u>2,075,018</u>	<u>(306,378)</u>
Excess of revenues over expenditures	(18,207)	91,558	136,605	45,047
Fund balance at beginning of year	<u>267,243</u>	<u>267,243</u>	<u>267,243</u>	<u>-</u>
Fund balance at end of year	<u>\$ 249,036</u>	<u>\$ 358,801</u>	<u>\$ 403,848</u>	<u>\$ 45,047</u>

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year ended December 31, 2021

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

A proposed budget is prepared and submitted to the Marshal prior to the beginning of each year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers all Marshal activities of the General Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Marshal. Formal budgetary integration is employed as a management control device during the year for the General Fund.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
 PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 Year ended December 31, 2021

AGENCY HEAD: Honorable Nathan Keller, Ward Three Marshal

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	
Paid from City of Lake Charles Budget Funds	\$ 15,642
Paid from Marshal’s Office	150,010
Benefits	
Insurance from City of Lake Charles Budget Funds	5,302
Retirement	
Paid from City of Lake Charles Budget Funds	782
Paid from Marshal’s Office	23,252
Payroll Taxes	11,162
Uniforms	2,233
Benefits – Other – Supplemental Pay	-
Registration Fees	300
Travel	<u>99</u>
TOTAL	<u>\$208,782</u>

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
 JUSTICE SYSTEM FUNDING SCHEDULE - RECEIVING ENTITY
 Year ended December 31, 2021

	First Six-Month Period Ended 6/30/2021	Second Six-Month Period Ended 12/31/2021
	<u> </u>	<u> </u>
Receipts From:		
City of Crowley/Civil Fees	\$ 130	\$ 99
Lake Charles Ward 3 City Court - Civil Fees	81,805	88,836
Lake Charles Ward 3 City Court - Criminal Fines - Other	<u>18,699</u>	<u>11,209</u>
Subtotal Receipts	<u>\$ 100,634</u>	<u>\$ 100,144</u>
Ending Balance of Amounts Assessed but Not Received	<u>\$ -</u>	<u>\$ 17,091</u>

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA
JUSTICE SYSTEM FUNDING SCHEDULE - COLLECTING/DISBURSING ENTITY
Year ended December 31, 2021

	First Six-Month Period Ended 6/30/2021	Second Six-Month Period Ended 12/31/2021
Beginning Balance of Amounts Collected	\$ 22,273	\$ 48,776
Add: Collections		
Civil Fees	411,541	392,477
Bond Fees	-	-
Asset Forfeiture/Sale	133	2,640
Subtotal Collections	411,674	395,117
Less: Disbursements to Governments & Nonprofits		
Civil Fees	-	-
Bond Fees	-	5,087
Lake Charles Ward 3 City Court - Asset Forfeiture/Sale	149	1,355
Less: Amounts Retained by Collecting Agency		
Collection Fee for Collecting/Disbursing to Others Based On Percentage of Collection	22,109	28,813
Less: Disbursements to Individuals/3rd Party		
Collection or Processing Agencies		
Payments to 3rd Party Collection/Processing Agencies	362,913	399,735
Subtotal Disbursements/Retainage	385,171	434,990
Total: Ending Balance of Amounts Collected but not Disbursed/Retained	\$ 48,776	\$ 8,903
Ending Balance of "Partial" Payments Collected but not Disbursed	\$ 4,502	\$ 12,721
Other Information:		
Ending Balance of Total Amounts Assessed but not yet Collected	\$ -	\$ -
Total Waivers During the Fiscal Period	\$ -	\$ -

**INDEPENDENT AUDITORS' 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***

Honorable Nathan Keller
Ward Three Marshal – City of Lake Charles, Louisiana
Lake Charles, 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 basic financial statements of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Marshal's basic financial statements and have issued our report thereon dated May 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ward Three Marshal's internal control over financial reporting (internal control) as a basis for designing 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 Ward Three Marshal's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ward Three Marshal'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 and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2021-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ward Three Marshal'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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-2 and 2021-3.

Ward Three Marshal's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ward Three Marshal's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Ward Three Marshal's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Lake Charles, Louisiana
May 24, 2022

Section II – Financial Statement Findings (continued)

Response: The Entity will research items that have been outstanding more than six months to determine if the checks need to be voided and reissued or whether the funds need to be submitted to the State Treasurer in compliance with unclaimed property laws.

2021-2

Budget Amendment

Condition: Although the Marshal's office made budget revisions during the year, the final budget was not amended for a variance in revenues and expenditures that is more than 5 percent.

Criteria: The Local Government Budget Act requires that the Marshal's office adopt a budget amendment if there is a 5 percent variance in revenues or expenditures or beginning fund balance.

Effect: The Marshal's office did not comply with the Budget Act.

Recommendation: The Marshal's office should prepare a budget prior to year-end and monitor the budget on a monthly basis. Any significant variances should be addressed and action should be taken as to whether an amended budget is necessary. The budget preparation process should include all expenses paid directly by the City of Lake Charles.

Response: The Marshal's office will monitor the budget on a monthly basis and address whether an amendment to the budget is necessary each month.

2021-3

Deputy Marshal Supplemental Pay

Condition: During our audit, it was discovered that in 2020 and 2019, the Marshal's office paid payroll taxes and retirement benefits in error for deputy marshal supplemental pay.

Criteria: Louisiana Revised Statute 13:2079.1 authorizes the Lake Charles Marshal to supplement the salary a deputy marshal receives with a portion of his salary. Each individual deputy marshal shall be responsible for payment of any additional payroll taxes due on the supplemental salary received by the Marshal's office.

Effect: The Marshal's office did not comply with Louisiana Revised Statutes 13:2079.1.

Recommendation: The Marshal's office should not include payroll taxes and benefits on supplemental salaries paid to deputy marshals.

Response: The newly elected Marshal was in compliance with Louisiana Revised Statutes 13:2079.1 for the year ending December 31, 2021.

Section III - Summary Schedule of Prior Audit Findings

2020-1

Budget Amendment

Condition: Although the Marshal's office made budget revisions during the year, the final budget was not amended for a variance in revenues and expenditures that is more than 5 percent.

Response: The Marshal's office will monitor the budget on a monthly basis and address whether an amendment to the budget is necessary each month.

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Honorable Nathan Keller and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

The Ward Three Marshal has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

- 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).

We performed the procedure above and noted no exceptions.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

We performed the procedures above and noted the following exception:

There is no approval process for employee's rate of pay or approval and maintenance of pay rate schedules.

- 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.

We performed the procedures above and noted the following exception:

No listing of types of services requiring written contracts, standard terms and conditions, or legal review.

- 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).

We performed the procedures above and noted the following exception:

No detail on allowable business uses.

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

We performed the procedure above and noted no exceptions.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

We performed the procedures above and noted the following exception:

No policies on actions to be taken if an ethics violation takes place or a system to monitor possible ethics violations.

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

The entity has no debt and does not maintain a written debt service policy.

- k) **Information Technology 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.

We performed the procedure above and noted no exceptions.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We performed the procedures above and noted the following exception:

No detail on annual reporting.

Management's response:

1e) Payroll/Personnel: *We will update our payroll policy to include the approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.*

1f) Contracting: *We will update our contracting policy to include the types of services requiring written contracts, the standard terms and conditions, and process for legal review.*

1g) Credit Cards: *We will update our credit card policy to include allowable business uses.*

1i) Ethics: *We will update our ethics policy to include actions to be taken if an ethics violation take place and the system to monitor possible ethics violations.*

1j) Debt Service: *We will revise our written policies and procedures to include a debt service policy.*

1l) Sexual Harassment: *We will update our sexual harassment policy to include annual employee training.*

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

We performed the procedures above and noted no exceptions.

Bank Reconciliations

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

We performed the procedures above and noted the following exception:

Reconciling items outstanding for more than 12 months were not researched.

Management's response:

3c) Management will research reconciling items outstanding more than 12 months.

Collections (excluding electronic funds transfers)

4. 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).
5. 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.
 - 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.
 - 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.
 - 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/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

7. 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.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

***We performed the procedures above and noted the following exception:
Deposits were not made within one business day of receipt.***

Management's response:

7d) The entity will deposit all cash collections within one business day of receipt or as soon as feasibly possible.

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

8. 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).
9. For each location selected under #8 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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.

10. For each location selected under #8 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 itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedures above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the person who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

We performed the procedure above and noted the following exception:

Monthly statements and receipts were reviewed and approved by the cardholder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

We performed the procedure above and noted no exceptions.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We performed the procedures above and noted the following exceptions:

<u>Payee</u>	<u>Amount</u>	<u>Exception Noted</u>
Sam's Club	\$267.80	No documentation of business purpose
Sam's Club	\$203.18	No documentation of business purpose
Sam's Club	\$156.22	No documentation of business purpose

Management's response:

12a) The entity will require an approval, in writing, of the credit card holder's monthly statements and supporting documentation by someone other than the cardholder.

13) The entity will maintain supporting documentation of the business purpose for credit card purchases.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We performed the procedures above and noted no exceptions.

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

***We performed the procedures above and noted the following exception:
No authorized salaries/pay rates included in employee personnel files.***

- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

This procedure is not applicable to the entity because they did not make any termination payments during 2021.

- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

We performed the procedures above and noted no exceptions.

Management's response:

16) The entity will include authorized salaries/pay rate in employee personnel files.

17d) The entity will include authorized salaries/pay rate in employee personnel files.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

We performed the procedures above and noted no exceptions.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

These procedures are not applicable to the entity. The entity did not have any debt outstanding during 2021.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c. Obtain a listing of the entity’s computers currently in use, and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures above and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We performed the procedure above and noted no exceptions.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

We performed the procedure above and noted no exceptions.

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

***We performed the procedures above and noted the following exception:
The Entity did not prepare the annual sexual harassment report.***

Management's response:

28) The entity will prepare an annual sexual harassment report in compliance with Louisiana Revised Statutes 42:344.

We were engaged by the Ward Three Marshal to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C 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.

We are required to be independent of the Ward Three Marshal and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Lake Charles, Louisiana
May 24, 2022

Honorable Nathan Keller
Ward Three Marshal – City of Lake Charles, Louisiana
Lake Charles, Louisiana

In planning and performing our audit of the financial statements of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana as of and for the year ended December 31, 2021; we considered its internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshal's office internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshal's office internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. This letter does not affect our report dated May 24, 2022.

Sales Tax

Municipal governments are exempt from paying sales tax under Louisiana Revised Statute 47:301(8)(c). During our audit, we discovered the Marshal's office paid sales tax on some of the employee expense reimbursements. We recommend the Marshal's office directly purchase items that are subject to sales tax and utilize the government exemption from paying sales tax under Louisiana Revised Statute 47:301(8)(c).

Personnel Files

The Marshal's office maintains employee personnel files. During our review of the employee personnel files, it was discovered that the annual approved pay rate was not included in the files. We recommend the Marshal's office include the approved annual total compensation in each corresponding personnel file.

Garnishments

The Marshal's office collects garnishment funds and remits these funds to the garnishment payees, after deducting fees due to the City Court and City Marshal for costs incurred in collecting and disbursing the funds. The Marshal's office must obtain a judgment of garnishment from the court and remit these funds to the plaintiff. During our audit, it was discovered that the Marshal's office did not reconcile the amount of funds collected and not yet remitted without proper judgment of garnishments. We recommend the Marshal's office periodically reconcile the funds collected and not yet remitted and return the funds if required by law.

Receipt Log

The Marshal's office receives a major portion of their collections by checks in the mail. During our audit, we discovered that a receipt log is not being maintained for checks received. To ensure all funds received are deposited and recorded, we recommend the Marshal's office maintain a receipt log independent of the employee responsible for depositing and posting receipts. The employee responsible for reconciling the bank accounts should also reconcile to the receipt log on a monthly basis.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Marshal's office personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stulb & Associates".

Lake Charles, Louisiana

May 24, 2022



Management Response to Audit Findings

SALES TAX

Ward Three Marshal-City of Lake Charles when purchasing will utilize the governmental exemption from paying sales tax under Louisiana Revised Statute 47:301(8)(c).

PERSONNEL FILES

The Marshal's office will add an additional line to personal contracts stating the approved annual compensation.

GARNISHMENTS

The Marshal's office will reconcile the funds collected without judgements to balance with the coordinating account within the financial statements.

RECEIPT LOG

The Marshal's office will keep a log of all incoming checks received by the office separately from the personnel preparing the deposit and reconciling the bank account. This log will be reconciled monthly.

Nathan Keller,
Ward Three Marshal