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WARD THREE MARSHAL – CITY OF
LAKE CHARLES, LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 1999

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

Release Date 09-20-00

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INDEPENDENT AUDITORS' REPORT

Mr. Tony Mancuso
Ward Three Marshal - City of Lake Charles, Louisiana

We have audited the accompanying general purpose 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, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Ward Three Marshal's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ward Three Marshal, as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2000, on our consideration of the Ward Three Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Langley, Williams & Co., L.L.C.

August 15, 2000

Ward Three Marshal - City of Lake Charles, Louisiana

COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1999

	Governmental	Fiduciary	Account Groups		Totals (Memorandum Only)
	Fund Type	Fund Type	General	General	
	General	Agency	Long-Term	Fixed Assets	
	Fund	Funds	Obligations		
ASSETS					
Cash	\$ 42,770	\$ 46,608	\$ -	\$ -	\$ 89,378
Receivables - court fees	6,675	-	-	-	6,675
Fixed assets	-	-	-	119,519	119,519
Amount to be provided for retirement of general long-term obligations	-	-	294,564	-	294,564
TOTAL ASSETS	\$ 49,445	\$ 46,608	\$ 294,564	\$ 119,519	\$ 510,136
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
LIABILITIES					
Accounts payable	\$ 4,296	\$ -	\$ -	\$ -	\$ 4,296
Accrued liabilities	1,129	-	-	-	1,129
Due to others	-	46,608	-	-	46,608
Liability for judgments and claims	-	-	294,564	-	294,564
Total liabilities	5,425	46,608	294,564	-	346,597
FUND EQUITY AND OTHER CREDITS					
Investment in general fixed assets	-	-	-	119,519	119,519
Fund balances:					
Unreserved and undesignated	44,020	-	-	-	44,020
Total fund equity	44,020	-	-	119,519	163,539
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 49,445	\$ 46,608	\$ 294,564	\$ 119,519	\$ 510,136

See accompanying notes to the general purpose financial statements.

Ward Three Marshal - City of Lake Charles, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE - GENERAL FUND

For the Year Ended December 31, 1999

REVENUES	
Court fees	\$ 133,015
Other	6,054
	<u>139,069</u>
EXPENDITURES	
Current operating:	
Advertisement	1,130
Civic work	2,581
Dues and subscriptions	1,710
Equipment rental	340
Equipment repair	3,096
Law enforcement supplies	7,525
Legal and professional	14,264
Meals and travel	4,431
Miscellaneous	2,069
Office supplies	11,666
Payroll taxes	5,655
Telephone	2,566
Training and education	2,100
Wages	65,895
Debt service:	
Interest	519
Principal	1,121
Capital outlay	1,915
Total expenditures	<u>128,583</u>
EXCESS OF EXPENDITURES OVER REVENUES	10,486
Fund balance at beginning of year	<u>33,534</u>
Fund balance at end of year	<u><u>\$ 44,020</u></u>

See accompanying notes to the general purpose financial statements.

Ward Three Marshal -- City of Lake Charles, Louisiana

Notes to the General Purpose Financial Statements

INTRODUCTION

As provided by Louisiana state statute, the Ward Three Marshal serves a six-year term as the executive officer of the City Court of Lake Charles, Louisiana. 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 within Ward Three.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The Marshal is an independently elected official; however, the Marshal is fiscally dependent on the City of Lake Charles. The City maintains and operates the city courthouse as well as pays the salaries of the Marshal and most of his personnel. Because the Marshal is fiscally dependent on the City, the Marshal was determined to be a component unit of the City of Lake Charles, Louisiana, the financial reporting entity.

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

2. Fund Accounting

The Marshal uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Marshal are classified into two categories; governmental (General Fund) and fiduciary (agency funds). These funds are described as follows:

General Fund

The General Fund is the principal fund of the Marshal's office and accounts for the operations of the Marshal's office. The Marshal's primary source of revenue is court fees from the City Court of Lake Charles. Other sources of revenue include commissions for collecting money on execution of orders of seizure and sale and execution of writs. General operating expenditures are paid from this fund.

Ward Three Marshal – City of Lake Charles, Louisiana
Notes to the General Purpose Financial Statements (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Agency Funds

The agency funds are used as depositories for garnishments and fines collected, cash bonds, sales proceeds of seized assets, et cetera. Disbursements from these funds are made to various City agencies, litigants in suits, et cetera, in the manner prescribed by law. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

General Fixed Assets Account Group:

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

General Long-Term Debt Account Group

Long-term obligations expected to be financed from the General Fund are reported in the general long-term debt account group.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The General Fund is accounted for using a flow of current financial resources measurement focus. The accompanying general purpose financial statements have been prepared on the modified basis of accounting. The General Fund uses the following practices in recording revenues and expenditures:

Revenues

Court fees are received in the month following collection by the City Court. The Marshal recognizes court fee revenue during the month they are collected by the City Court. Commissions on sales of seized property and other collections under court orders are recognized upon collection.

Expenditures

Salaries are recorded when paid. Purchases of capital assets and other goods and services are recorded when those goods or services have been delivered. Principal and interest on general long-term obligations are recognized when due. Claims and judgments are recognized as expenditures when actually paid. The amount of claims and judgments not requiring current resources is recorded in the general long-term debt account group.

4. Budgets

The Ward Three Marshal is not legally required to adopt a budget and did not adopt a budget for the year ended December 31, 1999.

Ward Three Marshal – City of Lake Charles, Louisiana

Notes to the General Purpose Financial Statements (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. Cash

Cash includes amounts in demand deposits and time deposits. Under state law, the Marshal may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks recognized under Louisiana law and national banks having their principal offices in Louisiana.

These 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 the amount on deposit with the fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1999, the Marshal has \$92,005 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

6. Total Columns

Total columns on the general purpose financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

7. Use of Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires the Marshal to make significant estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

NOTE B – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance at Beginning of Year	<u>Additions</u>	<u>Retirements</u>	Balance at End of of Year
Automobiles	\$ 45,769	\$ -	\$ -	\$ 45,769
Furniture and fixtures	18,590	-	-	18,590
Radio equipment	29,539	228	-	29,767
Equipment	<u>15,716</u>	<u>9,677</u>	-	<u>25,393</u>
	<u>\$ 109,614</u>	<u>\$ 9,905</u>	<u>\$ -</u>	<u>\$ 119,519</u>

Ward Three Marshal -- City of Lake Charles, Louisiana

Notes to the General Purpose Financial Statements (Continued)

NOTE C - GENERAL LONG-TERM DEBT

The Marshal entered into a capital lease for equipment during 1999. Monthly payment of \$234 includes a maintenance fee of \$31. The interest rate on the lease is 10%. Upon final payment in April 2003, ownership of the equipment reverts to the Marshal. The related equipment has been recorded in the general fixed assets account group. Future minimum payments are as follows:

2000	\$ 2,432
2001	2,432
2002	2,432
2003	<u>810</u>
	8,106
Amount representing interest	<u>(1,237)</u>
Net present value	<u>\$ 6,869</u>

In 1997, a group of former employees of the Marshal's Office filed suit claiming wrongful termination against the Marshal's Office and other parties. On July 1, 1999, a judgment in the amount of \$287,695 was rendered against the Marshal's Office in the suit. The Marshal has appealed the judgment, however, the amount of the judgment has been recorded in the general long-term debt account group.

The following is a summary of the changes in the general long-term debt account group for the year ended December 31, 1999:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of of Year
Capital lease	\$ -	\$ 7,990	\$ (1,121)	\$ 6,869
Claims and judgments	<u>287,695</u>	<u>-</u>	<u>-</u>	<u>287,695</u>
	<u>\$ 287,695</u>	<u>\$ 7,990</u>	<u>\$ (1,121)</u>	<u>\$ 294,564</u>

NOTE D - CHANGES IN AGENCY FUND BALANCES

A summary of changes in agency fund balances due to others for the year ended December 31, 1999 is as follows:

	Balance at Beginning of Year	Additions	Disbursements	Balance at End of of Year
Garnishments fund	\$ 25,441	\$ 564,846	\$(561,623)	\$ 28,664
Bond fund	6,331	2,100	(1,500)	6,931
Warrant fund	-	4,987	(2,511)	2,476
Seizures fund	102	8,724	(8,727)	99
Violations fund	<u>10,357</u>	<u>87,999</u>	<u>(89,918)</u>	<u>8,438</u>
	<u>\$ 42,231</u>	<u>\$ 668,656</u>	<u>\$(664,279)</u>	<u>\$ 46,608</u>

Ward Three Marshal - City of Lake Charles, Louisiana

Notes to the General Purpose Financial Statements (Continued)

NOTE E -- 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, also as part of his compensation. During the year ended December 31, 1999, the Marshal's Office paid the Marshal commissions totaling \$35,446.

NOTE F - CONTINGENCY

As of the date of this report, there is an ongoing investigation concerning misappropriated funds out of the garnishment fund (agency fund) totaling \$28,429. These funds were to be disbursed under garnishment judgments. The state of the garnishment records during the misappropriation period (from 1995 through early 1999) do not allow for determination of which garnishments have not been appropriately disbursed. However, employees that have had wages garnished and not appropriately remitted could come forward with claims. Upon verification, the Marshal may be compelled to remit such monies out of the General Fund.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. Tony Mancuso
Ward Three Marshal - City of Lake Charles, Louisiana
Lake Charles, LA

We have audited 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, 1999, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ward Three Marshal's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ward Three Marshal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of Ward Three Marshal's management, the City of Lake Charles, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Lake Charles, LA
August 15, 2000

Langley, Williams & Co., LLC

Ward Three Marshal - City of Lake Charles, Louisiana

Schedule of Findings and Questioned Costs

December 31, 1999

We have audited the general purpose financial statements of Ward Three Marshal – City of Lake Charles, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 1999, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the General Purpose Financial Statements

Internal Control:

Material Weaknesses Yes No
Reportable Conditions Yes No

Compliance:

Compliance Material to General Purpose Financial Statements Yes No

Section II Financial Statement Findings

1999-1. Misappropriation of funds. In 2000, the Marshal began reconciling the garnishment account as recommended in the audit report for the year ended December 31, 1998 issued March 3, 2000. During this process, a check that appeared to have been altered was discovered. Upon further research, checks totaling \$28,429 that appeared to be altered were uncovered. There is currently an ongoing investigation of the alleged misappropriation. The Marshal has implemented controls that should prevent or detect similar defalcations from occurring in the future as a result of the prior year audit. These controls include increased segregation of duties and monthly garnishment account reconciliations. These controls appear appropriate considering the small staff size of the Marshal's office and we do not have any further recommendations.

Section III Federal Award Findings and Questioned Costs

Not applicable.

Ward Three Marshal -- City of Lake Charles, Louisiana

Corrective Action Plan for Current Year Audit Findings

December 31, 1999

Section I Internal Control and Compliance Material to the
General Purpose Financial Statements

1999-1. Misappropriation of funds. In 2000, the Marshal began reconciling the garnishment account as recommended in the audit report for the year ended December 31, 1998 issued March 3, 2000. During this process, a check that appeared to have been altered was discovered. Upon further research, checks totaling \$28,429 that appeared to be altered were uncovered. There is currently an ongoing investigation of the alleged misappropriation.

Corrective Action Plan. As stated in the Schedule of Findings and Questioned Costs, the Marshal has already implemented controls that should prevent or detect any problems in the garnishment account in the future, including increased segregation of duties and monthly garnishment account reconciliations.

Section II Internal Control and Compliance Material to
Federal Awards

Not applicable.

Section III Management Letter

Not applicable.

Ward Three Marshal – City of Lake Charles, Louisiana

Schedule of Prior Year Findings

December 31, 1999

As a result of the audit for the year ended December 31, 1998, a finding considered to be material to the financial statements was disclosed. The Marshal did not receive Federal awards, therefore, internal control and compliance material to Federal awards was not applicable. Additionally, no management letter was issued in the prior year. Following is a brief description and current year status of the prior year finding:

DESCRIPTION

1998-1. Garnishment Agency Fund. The Ward Three Marshal is responsible for collecting and disbursing wage garnishments from employers within its jurisdiction. In 1999, the Marshal determined that the employee responsible for garnishments was not appropriately disbursing funds to creditors. The employee was terminated and the Marshal has implemented a procedure whereby the garnishment deposits and disbursements are reconciled monthly. However, the Marshal has not yet reconciled those garnishments collected prior to the termination of the afore-mentioned employee. The Marshal estimates that approximately \$23,000 of garnishments collected as of December 31, 1998, have not been properly disbursed. We recommend that the garnishment account be reconciled and all funds be disbursed to the appropriate creditors.

CURRENT YEAR STATUS

The finding has been partially resolved. The Marshal has implemented controls over the garnishments area. The new controls include increased segregation of duties and monthly garnishment account reconciliations. However, the records for the period prior to mid-1999 do not allow for determination of undisbursed garnishments. The Marshal intends to hold the funds until appropriate action can be determined.