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**LAFAYETTE METRO NARCOTICS AGENCY**

Financial Report

Year Ended December 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 \_\_\_\_\_

JUL 01 1998

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Lafayette Metro Narcotics Agency  
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the Lafayette Metro Narcotics Agency, as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lafayette Metro Narcotics Agency'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 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 general purpose financial statements 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 Lafayette Metro Narcotics Agency, as of December 31, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The accompanying general purpose financial statements have been prepared assuming that the Lafayette Metro Narcotics Agency will continue as a going concern. As discussed in Note 10 to the general purpose financial statements, the Agency's joint powers agreement is expected to be terminated. This condition raises substantial doubt about its ability to continue as a going concern. The general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated June 4, 1998 on our consideration of the Agency's compliance and on internal control over financial reporting.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Lafayette Metro Narcotics Agency. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Lafayette Metro Narcotics Agency.

*Kolder, Champagne, Slaven & Rainey, LLC*  
Certified Public Accountants

Lafayette, Louisiana  
June 4, 1998

**GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)**

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Combined Balance Sheet - Governmental Fund Type and Account Group  
December 31, 1997

	<u>Governmental Fund Type General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only)</u>	
			<u>1997</u>	<u>1996</u>
<b>ASSETS</b>				
Cash	\$ 24,980	\$ -	\$ 24,980	\$ 26,590
Interest-bearing deposits, at cost	138,597	-	138,597	323,099
Receivables-				
Due from other governmental agencies	16,317	-	16,317	3,029
Other	193	-	193	183
Prepaid Insurance	37,958	-	37,958	-
Deposit	1,500	-	1,500	1,500
Vehicles and equipment	<u>-</u>	<u>152,218</u>	<u>152,218</u>	<u>122,809</u>
Total assets	\$219,545 =====	\$152,218 =====	\$371,763 =====	\$477,210 =====
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 13,748	-	\$ 13,748	\$ 19,825
Due to other governmental agencies	370	-	370	11,021
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,667</u>
Total liabilities	<u>14,118</u>	<u>-</u>	<u>14,118</u>	<u>32,513</u>
Fund equity:				
Investment in general fixed assets	<u>-</u>	<u>152,218</u>	<u>152,218</u>	<u>122,809</u>
Fund balance -				
Reserved for deposit	1,500	-	1,500	1,500
Unreserved, undesignated	<u>203,927</u>	<u>-</u>	<u>203,927</u>	<u>320,388</u>
Total fund balance	<u>205,427</u>	<u>-</u>	<u>205,427</u>	<u>321,888</u>
Total fund equity	<u>205,427</u>	<u>152,218</u>	<u>357,645</u>	<u>444,697</u>
Total liabilities and fund equity	\$219,545 =====	\$152,218 =====	\$371,763 =====	\$477,210 =====

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Governmental Fund Type - General Fund  
Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<b>Revenues:</b>		
Forfeitures	\$ 84,695	\$ 78,762
Restitution	2,290	2,153
Intergovernmental revenues -		
City of Lafayette	-	50,000
Lafayette Parish Sheriff	-	80,000
Interest	11,162	14,668
Miscellaneous	<u>125</u>	<u>-</u>
Total revenues	<u>98,272</u>	<u>225,583</u>
<b>Expenditures:</b>		
Current -		
Public safety:		
Building lease	20,400	20,400
Equipment rent	1,809	1,741
Liability insurance	25,305	42,200
Telephone	8,983	8,138
Utilities	5,602	3,941
Maintenance	2,947	711
Office	2,028	1,863
Investigations	60,042	46,290
Training	15,078	15,177
Canine	1,039	2,108
Supplies and small equipment	9,898	13,238
Professional fees	30,948	9,302
Other	1,244	4,056
Capital outlay -		
Automobile	-	10,974
Equipment	<u>29,410</u>	<u>41,676</u>
Total expenditures	<u>214,733</u>	<u>221,815</u>
Excess (deficiency) of revenues over expenditures	<u>(116,461)</u>	<u>3,768</u>
Fund balance, beginning	<u>321,888</u>	<u>318,120</u>
Fund balance, ending	\$ 205,427 =====	\$ 321,888 =====

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget (GAAP Basis) and Actual - Governmental Fund Type - General Fund  
Year Ended December 31, 1997

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Forfeitures	\$ 68,400	\$ 84,695	\$16,295
Restitution	2,000	2,290	290
Interest	10,500	11,162	662
Miscellaneous	<u>100</u>	<u>125</u>	<u>25</u>
Total revenues	<u>81,000</u>	<u>98,272</u>	<u>17,272</u>
<b>Expenditures:</b>			
Current -			
Public safety:			
Building lease	20,400	20,400	-
Equipment rent	2,000	1,809	191
Liability insurance	25,400	25,305	95
Telephone	10,000	8,983	1,017
Utilities	6,000	5,602	398
Maintenance	3,500	2,947	553
Office	2,000	2,028	(28)
Investigations	65,700	60,042	5,658
Training	16,000	15,078	922
Canine	2,000	1,039	961
Supplies and small equipment	12,000	9,898	2,102
Professional fees	28,800	30,948	(2,148)
Other	1,800	1,244	556
Capital outlay -			
Equipment	<u>32,000</u>	<u>29,410</u>	<u>2,590</u>
Total expenditures	<u>227,600</u>	<u>214,733</u>	<u>12,867</u>
Excess (deficiency) of revenues over expenditures	(146,600)	(116,461)	30,139
Fund balance, beginning	<u>221,888</u>	<u>321,888</u>	<u>-</u>
Fund balance, ending	\$ 175,288 =====	\$ 205,427 =====	\$30,139 =====

The accompanying notes are an integral part of this statement.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Lafayette Metro Narcotics Agency (Agency) was formed by a joint powers agreement entered into on November 17, 1988, between the City of Lafayette, the University of Southwestern Louisiana, the District Attorney of the Fifteenth Judicial District, and the Lafayette Parish Sheriff. The Agency's primary responsibility is to perform investigations and analytical studies of controlled substances and, when necessary under lawful rules, take into custody all persons accused of committing criminal violations with the emphasis on controlled substances.

The accounting and reporting policies of the Lafayette Metro Narcotics Agency conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

For financial reporting purposes, the Agency includes all funds and account groups, activities, et cetera, that are controlled by the Agency. The Agency is solely responsible for the operations of its office, which includes authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the Agency's office that are paid or provided by the members of the joint agreement, the Agency is financially independent. Accordingly, the Agency is a separate governmental reporting entity. Certain units of local government, over which the Agency exercises no oversight responsibility, such as the parish officials and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Agency.

B. Fund Accounting

The accounts of the Agency are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

assets, liabilities, fund equity, revenues, and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund presented in the financial statements is described as follows:

General Fund

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the Agency's office and accounts for the operations of the Agency. The Agency's primary source of revenue is the intergovernmental revenue as described in the joint powers agreement. Other sources of revenue include forfeitures and restitutions. General operating expenditures are paid from this fund.

C. General Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the General Fund. General fixed assets provided by the members of the joint agreement are not recorded within the general fixed assets account group. All purchased fixed assets are stated at historical cost. No depreciation has been provided on general fixed assets.

The account group is not a fund. It is concerned only with the measurement of financial position and does not involve measurement of results of operations.

D. Basis of Accounting

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

Revenues

Intergovernmental revenues are recorded when the Agency is entitled to the funds.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

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

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

E. Forfeited Assets

The Agency acquires various assets which are forfeited by defendants in accordance with judgments rendered by the courts in certain drug-related cases. It is the policy of the agency to sell all forfeited assets and record the proceeds as revenue at the time of the sale. At December 31, 1997, the Agency has numerous assets which have not been sold and are not reported in the accompanying general purpose financial statements.

F. Budget and Budgetary Accounting

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

1. The controller prepares a proposed budget and submits it to the board of directors for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
2. The proposed budget is made available for public inspection.
3. The budget is legally adopted prior to the commencement of the fiscal year for which the budget is being adopted.
4. All budgetary appropriations lapse at the end of each fiscal year.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts included in the accompanying financial statements are as originally adopted or as finally amended by the board.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

G. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

H. Fund Balance

Reserves represent those portions of fund balance not appropriable for expenditures or legally segregated for a specific use.

The reserve for deposit was created to represent the portion of fund balance that is not available for expenditures within the next budgetary period.

I. Vacation, Sick Leave and Pension Plan

The Agency had no employees during the year ended December 31, 1997; therefore, it did not have a policy on vacation and sick leave, nor did it have a pension plan.

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Agency as an extension of formal budgetary integration in the funds.

K. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and operations. However, comparative data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Agency may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Agency may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. Included in total cash and interest-bearing deposits of \$163,577 is \$24,980 which is held by the Agency for use in drug-related investigations. At December 31, 1997, the Agency has cash and interest-bearing (book balances) totaling \$163,577, as follows:

Cash	\$ 24,980
Interest-bearing deposits	<u>138,597</u>
 Cash and interest-bearing deposits	 \$163,577 =====

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. 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. Deposit balances (bank balances) at December 31, 1997, are secured as follows:

Bank balances	\$147,986 =====
Federal deposit insurance	\$100,000
Pledged securities (Category 3)	<u>263,758</u>
 Total federal insurance and pledged securities	 \$363,758 =====
 Excess of federal insurance and pledged securities over bank balances	  \$215,772 =====

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Agency's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Agency that the fiscal agent has failed to pay deposited funds upon demand.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(3) Due from other Governmental Agencies

Asset forfeitures received by the District Attorney in the amount of \$16,252 during 1997 which were remitted to the Agency subsequent to the fiscal year end are recorded as due from other governmental agencies at December 31, 1997.

(4) Changes in General Fixed Assets

A summary of changes in general fixed assets (vehicles and equipment) follows:

Balance, January 1, 1997	\$122,809
Additions	29,409
Reductions	-
Balance, December 31, 1997	\$152,218 =====

(5) Due to Other Governmental Agencies

A summary of due to other governmental agencies of \$370 and \$11,021 at December 31, 1997 and 1996, respectively follows:

	1997	1996
Lafayette Parish Sheriff Department	\$ 370	\$11,021
	=====	=====

(6) Expenditures of the Agency's Office Paid by the Members of the Joint Agreement

The Agency's deputies are employees of and the vehicles used are owned by the Lafayette Parish Sheriff or City of Lafayette Police Department. All related expenses are paid by these two governmental bodies. Accordingly, these expenses are not included in the accompanying general purpose financial statements.

LAFAYETTE METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(7) Operating Leases

The Agency leases a building under an operating lease which expired on April 30, 1997. On January 31, 1997 the Agency extended the building lease for an additional three years at a monthly rate of \$1,700. During the years ended December 31, 1997 and 1996 rental expense under this operating lease totaled \$20,400 and \$20,400, respectively. The minimum future rental payments under this non-cancelable operating lease is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
1998	\$20,400
1999	6,800
2000	-
	<hr/>
	\$27,200
	=====

(8) Board Members

During the year ended December 31, 1997, the following individuals served on the Board of Directors and received no compensation:

Michael Harson	Joey Sturm
Donald Breaux	Walter Comeaux
Charles Crenshaw	Randal Menard
Keith Stutes	Danny Hefner

(9) Litigation and Claims

At December 31, 1997, the Agency is a defendant in several lawsuits which may result in the payment of damages. It is the opinion of legal counsel for the Agency that the amount, if any, resulting from the settlement of these lawsuits not covered by insurance is not possible to predict at this time.

(10) Going Concern

The City of Lafayette, the University of Southwestern Louisiana, the District Attorney of the Fifteenth Judicial District, and the Lafayette Parish Sheriff intend to terminate the joint powers agreement entered into on November 17, 1988, under which the Lafayette Metro Narcotics Agency exists. It has been determined that the current activities of the Agency would be most efficiently served by control, supervision, and administration of such activities by the Lafayette Parish Sheriff's office.

**INTERNAL CONTROL, COMPLIANCE AND OTHER**

# KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Lafayette Metro Narcotics Agency  
Lafayette, Louisiana

We have audited the component unit financial statements of the Lafayette Metro Narcotics Agency for the year ended December 31, 1997, and have issued our report thereon dated June 4, 1998. 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 Lafayette Metro Narcotics Agency's 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Metro Narcotics Agency, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Lafayette Metro Narcotics Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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The reportable condition is described below:

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Agency did not have adequate segregation of functions within the accounting system.

Recommendation:

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

Response:

No response is considered necessary.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

*Kolder, Champagne, Slaven & Rainey, LLC*  
Certified Public Accountants

Lafayette, Louisiana  
June 4, 1998

LAFAYETTE PARISH METRO NARCOTICS AGENCY  
 Lafayette, Louisiana

Summary Schedule of Prior Audit Findings  
 Year Ended December 31, 1997

<u>Reference Number</u>	<u>Year Finding Initially Occurred</u>	<u>Description of Finding/ Management letter comment</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
1.	Unknown	Segregation of functions within the accounting system; based upon the cost-benefit of additional personnel, the probable infeasibility to achieve segregation of accounting functions deemed client response unnecessary.	No	See Corrective Action Plan

LAFAYETTE PARISH METRO NARCOTICS AGENCY  
Lafayette, Louisiana

Corrective Action Plan  
Year Ended December 31, 1997

Report on Compliance and on Internal Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance with Government Auditing Standards

Based upon the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of accounting functions.