

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2004

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

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Morehouse Parish Sheriff
Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff"), as of and for the year ended June 30, 2004, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheriff's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above do not include the Inmate Commissary Agency Fund which should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted fund had been included, the fiduciary fund type - agency fund's assets and liabilities would have increased by \$66,677, respectively.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sheriff as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the Sheriff implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2004 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. Management's discussion and analysis and the budgetary comparison schedules, presented as required supplementary information, and the schedule of current insurance, presented as other supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and a mortgagor, respectfully. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Except for the schedule of current insurance, the other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hill, Myer & Co.

November 30, 2004

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of Morehouse Parish Sheriff's (the "Sheriff") annual financial report, the Sheriff's management is pleased to provide this narrative discussion and analysis of the financial activities of the Sheriff for the fiscal year ended June 30, 2004. The Sheriff's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This management's discussion and analysis document introduces the Sheriff's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The notes will relate directly to individual financial statements and serve as the written explanation for same. The Sheriff also includes in this report required supplementary information. Included in this information is a report showing budget performance, an explanation of the fiduciary funds, and a combining balance sheet for the fiduciary funds.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the Sheriff's finances in a way similar to what a private sector business would do. The two basic financial statements used in this area are the statement of net assets and the statement of activities.

The statement of net assets provides the reader with an overall picture of the Sheriff's assets and liabilities, with the difference between the being total net assets. This will show the financial performance from year to year of the Sheriff.

The statement of activities breaks down how net assets changed during the year. It gives a broad view of expenses and revenues and shows a beginning and ending net asset amount. This gives a gauge of how well the finances performed during the year.

Fund Financial Statements

A fund is a group of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sheriff uses these funds to ensure compliance with finance related laws and regulations. These statements focus and separate the most significant funds rather than just showing everything as one unit.

Governmental funds are used to show the same functions reported as governmental activities in the government-wide financial statements. These funds are used by the Sheriff to conduct its day-to-day activities or in simpler terms, they are what funds the "business". By using the balance sheet and the statement of revenues, expenditures, and changes in fund balance, the Sheriff is able to review financial performance and plan for short and long term activities.

The two governmental funds of the Sheriff are the General Fund and the Corrections Fund. The General Fund funds the daily operations of the administrative staff, civil office, patrol, communications, and investigations. The Corrections Fund funds the daily operations of the jails with an annual appropriation to the General Fund. The Sheriff adopts an annual budget for both of these funds.

Fiduciary funds or agency funds are used to account for revenues held for the benefit of other agencies or taxing bodies. These funds include property taxes, court fines, occupational license fees, civil fees, and work release. These resources are not available to the Sheriff for operating use; therefore, fiduciary (agency) funds are not included in the government-wide financial statements. The Sheriff however benefits from these funds in the form of fees and commissions.

Notes to financial statements are essential reading to fully understand the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As previously noted, an analysis of the government-wide financial statements gives an indication of financial performance. At the close of the fiscal year ended June 30, 2004, the assets of the Sheriff exceeded liabilities by \$933,083. This is a \$724,494 increase from the balance at the beginning of the fiscal year.

Financial Analysis of the Government's Funds

As of June 30, 2004, combined governmental funds' balances of \$1,080,014 showed an increase of \$730,432 over beginning year balances. The General Fund portion of this balance, being \$615,164, shows an increase of \$519,744 (545%). The Corrections Fund portion of this balance, being \$464,940, shows an increase of \$210,688 (82%).

Government Fund Highlights

At the beginning of the year ended June 30, 2004, the Sheriff wasn't exactly sure how current obligations were going to be met. In November 2003, some layoffs and reclassification of employees had already positively affected personal services budget wise. \$500,000 had already been borrowed to cover any deficiency for the year. Prisoner housing started rising beginning in January 2004. By the end of the fiscal year, jails were running at capacity and debt was retired without any complications. Jail housing remains at capacity.

Capital Asset and Debt Administration

The Sheriff's net investment in capital assets as of June 30, 2004 amounted to \$530,761. \$159,726 was the amount by which depreciation expense exceeded capital outlay in the fiscal year. This was the first fiscal year of the depreciation expense implementation.

The long-term debt retirement for the Sheriff for the year was \$291,228, with \$172,765 being for principal and \$118,463 being interest paid.

Request for Information

This report is designed to provide an overview of the Sheriff's financial performance for the audited year. Questions concerning any of the information provided in this report or requests for additional or supplemental information should be addressed to Morehouse Parish Sheriff Danny McGrew, 351 South Franklin Street, Bastrop, LA 71220.

BASIC FINANCIAL STATEMENTS

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS
June 30, 2004

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash	\$ 311,488	\$ 13,862
Investments	218,420	-
Receivables	628,711	18,011
Capital assets, net of accumulated depreciation	<u>2,482,171</u>	<u>-</u>
Total assets	<u>\$ 3,640,790</u>	<u>\$ 31,873</u>
LIABILITIES		
Accounts payable	\$ 75,680	\$ 5,858
Payroll withholdings payable	2,835	-
Long-term liabilities:		
Due within one year	183,048	-
Due within more than one year	<u>2,446,144</u>	<u>-</u>
Total liabilities	<u>\$ 2,707,707</u>	<u>\$ 5,858</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 530,761	\$ -
Restricted for debt service	232,860	-
Unrestricted	<u>169,462</u>	<u>26,015</u>
Total net assets	<u>\$ 933,083</u>	<u>\$ 26,015</u>
Total liabilities and net assets	<u>\$ 3,640,790</u>	<u>\$ 31,873</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES
June 30, 2004

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
Expenses:		
Public safety	\$ 5,971,141	\$ 33,828
Program revenues:		
Charges for services	4,038,855	-
Operating grants	<u>479,467</u>	<u>41,888</u>
Net program (expense) revenue	<u>\$ 1,452,819</u>	<u>\$ (8,060)</u>
General revenues:		
Property taxes	\$ 611,793	\$ -
Sales taxes	1,431,572	-
State revenue sharing	95,280	-
Investment earnings	9,257	6
Miscellaneous	<u>29,411</u>	<u>5,866</u>
Total general revenues	<u>\$ 2,177,313</u>	<u>\$ 5,872</u>
Change in net assets	\$ 724,494	\$ 13,932
Net assets - beginning	349,672	12,083
Cumulative effect of change in accounting principle	<u>(140,083)</u>	<u>-</u>
Net assets - ending	<u>\$ 933,083</u>	<u>\$ 26,015</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 242,237	\$ 69,251	\$ 311,488
Investments	-	218,420	218,420
Receivables	256,514	366,943	623,457
Due from other funds	<u>185,039</u>	<u>-</u>	<u>185,039</u>
 Total assets	 <u>\$ 683,790</u>	 <u>\$ 654,614</u>	 <u>\$ 1,338,404</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 65,199	\$ 10,481	\$ 75,680
Payroll withholdings payable	2,835	-	2,835
Due to other funds	<u>592</u>	<u>179,193</u>	<u>175,785</u>
Total liabilities	<u>\$ 68,626</u>	<u>\$ 189,674</u>	<u>\$ 258,300</u>
Fund balances:			
Reserved for debt service	\$ -	\$ 232,860	\$ 232,860
Unreserved - undesignated	<u>615,164</u>	<u>232,080</u>	<u>847,244</u>
Total fund balances	<u>\$ 615,164</u>	<u>\$ 464,940</u>	<u>\$ 1,080,104</u>
 Total liabilities and fund balances	 <u>\$ 683,790</u>	 <u>\$ 654,614</u>	 <u>\$ 1,338,404</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Totals</u>
Revenues:			
Taxes:			
Property	\$ 611,793	\$ -	\$ 611,793
Sales	1,431,572	-	1,431,572
Intergovernmental:			
Federal grants	73,084	-	73,084
State grants	438,456	-	438,456
Local grants	7,166	-	7,166
Fees, charges, and commissions for services	403,781	3,690,266	4,094,047
Investment earnings	5,313	3,944	9,257
Other revenues	14,410	14,937	29,347
Total revenues	<u>\$ 2,985,575</u>	<u>\$ 3,709,147</u>	<u>\$ 6,694,722</u>
Expenditures:			
Current:			
Public safety:			
Personal services	\$ 2,481,844	\$ 1,781,060	\$ 4,262,904
Operating services	337,615	364,216	701,831
Materials and supplies	121,588	556,021	677,609
Travel and other charges	14,791	2,839	17,630
Debt service:			
Principal	-	172,765	172,765
Interest	12,906	118,463	131,369
Capital outlay	-	1,095	1,095
Total expenditures	<u>\$ 2,968,744</u>	<u>\$ 2,996,459</u>	<u>\$ 5,965,203</u>

(continued)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2004

	General <u>Fund</u>	Corrections <u>Fund</u>	<u>Totals</u>
Excess of revenues over expenditures	\$ 16,831	\$ 712,688	\$ 729,519
Other financing sources (uses):			
Operating transfers in (out)	\$ 502,000	\$(502,000)	\$ -
Insurance recovery	<u>913</u>	<u>-</u>	<u>913</u>
Total other financing sources (uses)	<u>\$ 502,913</u>	<u>\$(502,000)</u>	<u>\$ 913</u>
Net changes in fund balances	\$ 519,744	\$ 210,688	\$ 730,432
Fund balances - beginning	<u>95,420</u>	<u>254,252</u>	<u>349,672</u>
Fund balances - ending	<u>\$ 615,164</u>	<u>\$ 464,940</u>	<u>\$ 1,080,104</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2004

Total fund balances - governmental funds balance sheet	\$ 1,080,104
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,482,171
Long-term liabilities, including bank loan payable, compensated absences payable, and accrued loss contingency, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,629,192)</u>
Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 933,083</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Net change in fund balances - governmental funds \$ 730,432

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense. This
is the amount by which depreciation expense exceeded capital outlay
in the current period. (159,726)

Expenses for compensated absences reported in the statement of
activities do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds. (18,977)

Governmental funds report principal and interest payments on long-term
obligations as an expense when actually paid. However, in the statement of
activities, interest is expensed as accrued and principal payments are reported
as reductions of the related debt. This is the amount related to these reporting
differences. 172,765

Change in net assets of governmental activities - government-wide
statement of activities \$ 724,494

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - FIDUCIARY FUND TYPES - AGENCY FUNDS
June 30, 2004

ASSETS

Cash and cash equivalents	\$	321,641
Investments		59,879
Due from other funds		<u>592</u>
Total assets	\$	<u><u>382,112</u></u>

LIABILITIES

Due to other funds	\$	5,845
Due to taxing bodies and others		<u>376,267</u>
Total liabilities	\$	<u><u>382,112</u></u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2004

Note 1. Organization and Summary of Significant Accounting Policies

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the sheriff serves a four year term as the chief executive officer of the law enforcement district and ex-officio tax collector of the parish. The sheriff also administers the parish jail system and exercises duties required by the parish court system, such as providing bailiffs, executing orders of the court, and serving subpoenas.

As the ex-officio tax collector of the parish, the sheriff is responsible for the collection and distribution of ad valorem property taxes; occupational licenses; beer and liquor licenses; state revenue sharing funds; and fines, costs, and bond forfeitures imposed by the district court.

As the chief law enforcement officer of the parish, the sheriff has the responsibility for enforcing state and local laws and ordinances within the territorial boundaries of the parish. The sheriff provides protection to the residents of the parish through on-site patrols and investigations, and serves the residents of the parish through the establishment of neighborhood watch programs and anti-drug abuse programs. Additionally, the sheriff, when requested, provides assistance to other law enforcement agencies within the parish.

The more significant accounting policies of Morehouse Parish Sheriff (the "Sheriff") are described as follows:

Basis of Presentation:

The accompanying basic financial statements of the Sheriff have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

NOTES TO FINANCIAL STATEMENTS

Financial Reporting Entity:

As the governing authority of the parish, for reporting purposes, Morehouse Parish Police Jury is the financial reporting entity for Morehouse Parish. The sheriff is an independently elected official that is not fiscally dependent on Morehouse Parish Police Jury. Therefore, the Sheriff is not a component unit of the financial reporting entity for Morehouse Parish.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Sheriff for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

As required by generally accepted accounting principles, these financial statements present the Sheriff (the primary government) and its component unit.

Component units that are legally separate from the Sheriff, but are financially accountable to the Sheriff, or whose relationship with the Sheriff is such that exclusion would cause the Sheriff's financial statements to be misleading or incomplete are discretely presented. The component unit column on the statements of net assets and activities include the financial data of Morehouse Dare Inc. ("DARE"), discretely presented component unit. The component unit's data is reported in a separate column to emphasize that it is legally separate from the Sheriff. The purpose of DARE is to develop, promote, monitor, and evaluate the program parish wide. DARE is financially accountable to the Sheriff because (1) two of the three directors of DARE are employees of the Sheriff (criteria 1. above), and (2) because the Sheriff can compose its will on DARE by the Sheriff's ability to affect the activities and level of service

NOTES TO FINANCIAL STATEMENTS

performed by DARE (criteria 1.a. above). In addition, the Sheriff provides funding in the form of state grant funds being passed through to the organization and the Sheriff has the ability to reassign or dismiss those persons responsible for the day-to-day operations of DARE.

Fund Accounting:

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

Funds of the Sheriff are classified into categories of governmental and fiduciary fund types. Each category, in turn, is divided into separate funds. The fund types and a description of each existing fund follows:

Governmental funds:

Governmental funds account for all of the Sheriff's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the 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 Sheriff. The following are the Sheriff's governmental funds:

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

Corrections Fund - used to account for the operation and maintenance of Morehouse Parish Jail Annex and Collinston Detention Center. The primary source of revenue is state funds for maintaining state prisoners.

NOTES TO FINANCIAL STATEMENTS

Fiduciary funds:

Fiduciary fund reporting focuses on net asset and changes in net assets. The only funds accounted for in this category by the Sheriff are agency funds. The agency funds account for assets held by the Sheriff as an agent for various taxing bodies (tax collections, fines, and licenses), deposits held pending court action, and funds earned by inmates under the work release program. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Government-Wide Financial Statements:

The statement of net assets and statement of activities display information about the Sheriff as a whole. These statements include all the financial activities of the Sheriff. Information contained in these statements reflect the economic resources measurement focus and the accrual basis of accounting. 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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program Revenues:

Program revenues include fees and charges paid by the recipients of services offered by the Sheriff, and grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

The amounts reflected in the General Fund and Corrections Fund balance sheet and statement of revenues, expenditures, and changes in fund balances 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 balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Sheriff's operations.

The amounts reflected in the General Fund and Corrections Fund balance sheet and statement of revenues, expenditures, and changes in fund balances 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 Sheriff considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on long-term debt which is recognized when due, and compensated absences and accrued loss contingencies which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues:

Ad valorem taxes and the related state revenue sharing are recorded as revenue in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the fiscal year.

NOTES TO FINANCIAL STATEMENTS

Sales and use taxes are recognized as revenue when received by the Sheriff's collection agent, Morehouse Parish Sales and Use Tax Commission.

Intergovernmental revenues and fees, charges, and commissions for services are recorded when the Sheriff is entitled to the funds.

Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

Based on the above criteria, ad valorem taxes; state revenue sharing; sales and use taxes; intergovernmental revenues, and fees, charges, and commissions for services are treated as susceptible to accrual.

Expenditures:

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

Other financing sources (uses):

Transfers between funds which are not expected to be repaid are accounted for as other financing sources (uses) and are recognized when the underlying events occur.

Budgets and Budgetary Accounting:

Proposed budgets for the General Fund and Corrections Fund are prepared on the modified accrual basis of accounting and published in the official journal prior to the public hearing. Public hearings are held at the Sheriff's office during the month of June for comments from taxpayers. The budgets are then legally adopted by the Sheriff and amended during the year, as necessary. Budgets are established and controlled by the Sheriff at the object level of expenditure. All annual appropriations lapse at fiscal year end.

Encumbrance accounting is not used. However, formal budgetary integration is employed as a management control device during the fiscal year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents:

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits with original maturities of 90 days or less. Under state law, the Sheriff may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments:

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of time deposits exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. As of June 30, 2004, the Sheriff's investments consist of non-negotiable certificates of deposit with original maturities that exceed 90 days and are reported in the accompanying financial statements at cost.

Short-Term Interfund Receivables/Payables:

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Sheriff is of the opinion that such allowance would be immaterial in relation to the basic financial statements taken as a whole.

Capital Assets:

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Approximately 17% of capital assets are valued at estimated historical costs based on the actual costs of like items while the remaining 83% are based on actual historical costs. The Sheriff maintains a threshold level of \$1,000 or more capitalizing assets.

NOTES TO FINANCIAL STATEMENTS

Capital assets and depreciation are recorded in the statement of net assets and statements of activities, respectfully. As surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	5 - 15 years
Vehicles	5 years

Compensated Absences:

Employees of the Sheriff earn from ten to 30 days of vacation leave each year, depending on length of service. All accrued vacation days are to be taken prior to the employee's next anniversary date unless approved for carryover by the chief deputy or sheriff. Employees earn one day of sick leave for each month employed, up to an accumulated maximum of 60 days. Employees earn compensatory time at the rate of one and half times for all overtime hours worked. Employees may accumulate unused compensatory time. Accumulated compensatory time is paid to the employee in the form of days off or is paid to the employee at the employee's current rate of pay upon separation from service. The cost of accumulated time upon separation from service.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The cost of accumulated compensatory time is reported as an expenditure when the employee uses the time in the form of days off or is paid for accumulated time upon separation from service. Compensated absences are paid from the fund responsible for the employee's compensation.

NOTES TO FINANCIAL STATEMENTS

Long-Term Liabilities:

In the government-wide financial statements, outstanding debt and the related accrued interest are reported as liabilities. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for long-term debt principal and interest payments are recorded in the fund financial statements in the year payments are due and/or interest accrues.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into three components:

1. Invested in capital assets, net of related debt - 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 attributable to the acquisition, construction, or improvement of the assets.
2. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified between designated and undesignated. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Interfund Transactions:

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

NOTES TO FINANCIAL STATEMENTS

Sales and Use Taxes:

In October of 1998, voters of the parish approved a one-half of one percent ($\frac{1}{2}\%$) sales and use tax. The proceeds of the tax, after paying reasonable and necessary costs of collection, are dedicated to operation of the law enforcement district. The tax is for a period of ten years and expires in January 2009. The Sheriff has entered into an agreement with Morehouse Parish Sales and Use Tax Commission for collection of the tax. For its services, the collection agent receives a one and one-half percent (1.5%) collection fee.

Estimates:

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

Note 2. Levied Tax

As provided by Louisiana Revised Statute 33:9001, a law enforcement district has been created for the purpose of providing financing to the office of the Sheriff. Louisiana Revised Statute 33:9003 requires the district to levy a tax on the assessed valuation of all property appearing on the 1977 and subsequent tax rolls in an amount that would produce for the district in the initial year the same revenue as that estimated to be produced by the Sheriff's commission on ad valorem taxes for the fiscal year ended June 30, 1977. For the 2003 tax roll, the district levied 5.38 mills.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits with Financial Institutions

As of June 30, 2004, the Sheriff had deposits in financial institutions as follows:

Primary government:	
Demand deposits	\$ 493,457
Certificates of deposit	<u>417,971</u>
	\$ 911,428
Amounts held by Agency Funds	<u>(381,520)</u>
Total primary government	<u>\$ 529,908</u>
Component unit:	
Demand deposits	<u>\$ 13,862</u>

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 Sheriff's name by the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Bank balances as of June 30, 2004 were secured as follows:

Federal deposit insurance	\$ 445,751
Pledged securities (Category 1)	<u>1,289,896</u>
Total bank balances	<u>\$ 1,735,647</u>

There were no repurchase or reverse repurchase agreements as of June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

A summary of receivables as of June 30, 2004 is as follows:

	<u>Primary Government</u>		<u>Totals</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>Corrections Fund</u>		
Taxes:				
Ad valorem	\$ 412	\$ -	\$ 412	\$ -
Sales	180,492	-	180,492	-
Intergovernmental:				
Federal grants	18,502	-	18,502	-
State grants	6,220	-	6,220	18,011
Fees, charges, and commissions for services	27,204	366,943	394,147	-
Other	<u>23,684</u>	<u>-</u>	<u>23,684</u>	<u>-</u>
	\$ 256,514	\$ 366,943	\$ 623,457	\$ 18,011
Due from agency funds - net	<u>5,254</u>	<u>-</u>	<u>5,254</u>	<u>-</u>
Totals	<u>\$ 261,768</u>	<u>\$ 366,943</u>	<u>\$ 628,711</u>	<u>\$ 18,011</u>

Note 5. Due From/To Other Funds

A summary of amounts due from/to other funds as of June 30, 2004 is as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 592	\$ 185,038
Corrections Fund	179,193	-
Fiduciary Funds - Agency Funds	<u>5,845</u>	<u>592</u>
Totals	<u>\$ 185,630</u>	<u>\$ 185,630</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

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

	Balance - July 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance - June 30, <u>2004</u>
Buildings and improvements	\$ 3,110,892	\$ -	\$ -	\$ 3,110,892
Equipment	574,078	1,095	(124,285)	450,888
Vehicles	<u>713,858</u>	<u>-</u>	<u>(187,615)</u>	<u>526,243</u>
Total capital assets	<u>\$ 4,398,828</u>	<u>\$ 1,095</u>	<u>\$ (311,900)</u>	<u>\$ 4,088,023</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 699,872	\$ 77,772	\$ -	\$ 777,644
Equipment	437,041	29,568	(124,285)	342,324
Vehicles	<u>620,018</u>	<u>53,481</u>	<u>(187,615)</u>	<u>485,884</u>
Total accumulated depreciation	<u>\$ 1,756,931</u>	<u>\$ 160,821</u>	<u>\$ (311,900)</u>	<u>\$ 1,605,852</u>
Capital assets, net of accumulated depreciation	<u>\$ 2,641,897</u>	<u>\$ (159,726)</u>	<u>\$ -</u>	<u>\$ 2,482,171</u>

Depreciation expense of \$160,821 is included in public safety expenses of the primary government on the statement of activities.

Note 7. Short Term Debt

In August 2003, the Sheriff obtained a short-term bank loan in the amount of \$500,000. The purpose of the loan was to fund the operations of the Sheriff's General Fund. The interest rate on the loan was 5.5% and the principal and interest were due July 1, 2004. The loan was paid in full on June 30, 2004. Total interest paid on the loan was \$12,906. The following is a summary of the changes in short-term debt for the year ended June 30, 2004:

NOTES TO FINANCIAL STATEMENTS

Balance - July 1, 2003	\$ -
Additions	500,000
Retirements	<u>(500,000)</u>
 Balance - June 30, 2004	 <u><u>\$ -</u></u>

Note 8. Long-Term Liabilities

The following is a summary of the transactions of the primary government's long-term liabilities for the year ended June 30, 2004:

	Compensated <u>Absences</u>	Bank <u>Loan</u>	Accrued Loss <u>Contingency</u>	<u>Totals</u>
Balance - July 1, 2003	\$ 115,880	\$ 2,124,176	\$ 542,924	\$ 2,782,980
Additions	94,978	-	-	94,978
Retirements	(76,069)	(172,765)	-	(248,834)
Adjustment	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>
 Balance - June 30, 2004	 <u>\$ 134,857</u>	 <u>\$ 1,951,411</u>	 <u>\$ 542,924</u>	 <u>\$ 2,629,192</u>

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities of the primary government as of June 30, 2004:

	Compensated <u>Absences</u>	Bank <u>Loan</u>	Accrued Loss <u>Contingency</u>	<u>Totals</u>
Current portion	\$ -	\$ 183,048	\$ -	\$ 183,048
Long-term portion	<u>134,857</u>	<u>1,768,363</u>	<u>542,924</u>	<u>2,446,144</u>
 Total long-term liabilities	 <u>\$ 134,857</u>	 <u>\$ 1,951,411</u>	 <u>\$ 542,924</u>	 <u>\$ 2,629,192</u>

NOTES TO FINANCIAL STATEMENTS

The adjustment to compensated absences resulted from differences between beginning and ending rates of pay for compensatory time. As of June 30, 2004, employees of the Sheriff had accumulated and vested \$134,857 of compensated absences which was computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2004 is reported in the statement of net assets as long-term liabilities as the Sheriff does not anticipate liquidating the liability with current available expendable resources.

During the year ended June 30, 1998, the Sheriff entered into a loan agreement for \$2,915,000. The proceeds of the loan were used to payoff an existing loan with Farmers' Home Administration. The original loan was used for construction and furnishing of the detention center in Morehouse Parish. All debt retirement payments on the loan are made from the Corrections Fund. The loan bears interest at 5.79%. The final principal and interest payment is due December 1, 2012. The annual requirements to amortize the bank loan balance outstanding as of June 30, 2004 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 183,048	\$ 108,179	\$ 291,227
2006	193,932	97,295	291,227
2007	205,464	85,763	291,227
2008	217,681	73,546	291,227
2009	230,635	60,592	291,227
2010 - 2013	<u>920,651</u>	<u>98,645</u>	<u>1,019,296</u>
 Total requirements	 <u>\$ 1,951,411</u>	 <u>\$ 524,020</u>	 <u>\$ 2,475,431</u>

Note 9. Contingencies, Subsequent Event, and Risk Management

From March 1995 through January 2001, the Sheriff was awarded a total of \$1,003,275 in federal grants by Department of Justice, Office of Community Oriented Policing Services (COPS) to enhance community policing in Morehouse Parish. The grant funds were to be used to hire 16 additional officers and to redeploy the equivalent of one existing full-time officer from administrative duties to community policing. During the year ended June 30, 2001, Office of Inspector General conducted an audit of the COPS grants awarded to the Sheriff. The Inspector General's audit report dated May 11, 2001, questioned \$542,924 of expenditures paid with COPS grant funds received by the Sheriff. Questioned costs are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation. In response to the Inspector General's audit, the COPS office stated that it would request that the Sheriff provide additional information in order for a determination to be made on remedying the

NOTES TO FINANCIAL STATEMENTS

questioned costs. In a letter dated January 22, 2003, Department of Justice requested that the Sheriff respond to the audit finding by February 13, 2003. The Sheriff responded to this request for information on February 10, 2003. As of June 30, 2004, the Sheriff had not been notified by the COPS office as to how the questioned costs would be remedied. However, in November 2004, the Sheriff voluntarily de-obligated a total of \$207,605 of COPS grant funds in an effort to remedy the questioned costs. A grant loss contingency of \$542,924 is included in long-term liabilities on the statement of net assets based on the fact that it is probable that a liability has been incurred and the amount of the loss can be estimated.

The Sheriff is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Sheriff carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the Sheriff's insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

Note 10. Restricted Net Assets and Reserved Fund Balances

For the government-wide statement of net assets and the fund financial balance sheet, equity is reported as restricted for debt service resources of the Corrections Fund set aside as required by the terms of the bank loan.

Note 11. Pension Plan

Substantially all employees of the Sheriff are members of Louisiana Sheriffs' Pension and Relief Fund (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees.

All sheriffs and all deputies who are 18 years or older at the time of original employment, and who earn not less than \$400 per month if employed after September 7, 1979 and before January 1, 1991; \$550 if employed between January 1, 1991 and December 31, 1999; and \$800 if employed after January 1, 2000, are required to participate in the System. Employees are eligible to retire at or after age 55 with at least 12 years of credited service and receive a benefit, payable monthly for life, equal to 3.33 % of their final-average salary for each year of credited service. The retirement benefit cannot exceed 100% of the employee's final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination as indicated previously. Employees who terminate with at least 20 years of credited service are also eligible to elect early benefits between ages 50 and 55

NOTES TO FINANCIAL STATEMENTS

with reduced benefits equal to the actuarial equivalent of the benefit to which they would otherwise be entitled at age 55. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Sheriffs' Pension and Relief Fund, 6554 Florida Boulevard, Suite 215, Baton Rouge, Louisiana 70806, or by calling (800) 586-9049.

Plan members are required by state statute to contribute 9.8% of their annual covered salary and the Sheriff is required to contribute at an actuarially determined rate. The current rate is 9.25% of annual covered payroll. Contributions to the System also include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and funds as required and available from insurance premium taxes. The contribution requirements of plan members and the Sheriff are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Sheriff's contributions to the System for the years ended June 30, 2004, 2003, and 2002 were \$295,314, \$267,607, and \$252,141, respectively, equal to the required contributions for each year.

Note 12. Operating Transfers In (out)

During the year ended June 30, 2004, \$502,000 was transferred from the Corrections Fund to the General Fund to assist in funding the operations of the General Fund.

Note 13. Changes in Agency Funds' Balances

A summary of changes in Agency Funds' balances due to taxing bodies and others is as follows:

	Balance - July 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance - June 30, <u>2004</u>
Tax Collector Fund	\$ 227,991	\$ 8,967,525	\$(8,979,160)	\$ 216,356
Criminal Fund	84,148	576,775	(511,913)	149,010
Civil Fund	10,300	756,474	(756,474)	10,300
License Fund	125	55,955	(55,805)	275
Inmate Work Release Fund	<u>21</u>	<u>212,958</u>	<u>(212,653)</u>	<u>326</u>
 Totals	 <u>\$ 322,585</u>	 <u>\$10,569,687</u>	 <u>\$(10,516,005)</u>	 <u>\$ 376,267</u>

NOTES TO FINANCIAL STATEMENTS

Note 14. Taxes Paid Under Protest

Unsettled balances due to taxing bodies and others in the Agency Funds as of June 30, 2004 include \$180,348 of taxes paid under protest, plus interest earned to date of \$19,911 on the investment of these funds. These funds are held pending resolution of the protest and are accounted for in the Tax Collector Agency Fund.

Note 15. Litigation and Claims

As of June 30, 2004, the Sheriff is involved in several lawsuits. In the opinion of legal counsel, resolution of these lawsuits will not result in any liability in excess of insurance coverage.

Note 16. Expenditures of Sheriff's Office Paid by Morehouse Parish Police Jury

The Sheriff's offices were constructed by Morehouse Parish Police Jury. Certain costs of maintaining and operating the offices, as required by Louisiana Revised Statute 33:4715, are paid by Morehouse Parish Police Jury.

Note 17. Interagency Agreement

The Sheriff and City of Bastrop's Police Department entered into an agreement on July 8, 1996 for the purpose of obtaining federal anti-drug abuse funds to combat drug problems in their joint jurisdictions. North Louisiana Drug Enforcement Bureau (NLDEB) was established by the agreement. NLDEB's operations are funded by federal grants from United States Department of Justice through Louisiana Commission on Law Enforcement and Administration of Criminal Justice, together with contributions from the Sheriff and City of Bastrop. The Sheriff has been designated as the grant recipient and the administrative entity for NLDEB. All financial activities of NLDEB are included in the Sheriff's financial statements and are reflected in the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 18. Change in Accounting Principle

During the year ended June 30, 2004, the Sheriff adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In accordance with GASB Statement No. 34, capital assets and long-term debt liabilities not previously recorded in governmental activities were recorded in the government-wide financial statements. Depreciation and interest expenses that would have impacted the change in net assets in prior years related to these capital assets and long-term liabilities were also considered. The cumulative effect on the primary government's beginning net assets of these changes were computed as follows:

Increase (decrease) in capital assets as of July 1, 2003	\$ 4,398,828
(Increase) decrease in accumulated depreciation as of July 1, 2003	(1,756,931)
(Increase) decrease in long-term liabilities as of July 1, 2003	<u>(2,782,980)</u>
	<u>\$ (141,083)</u>

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes:				
Property	\$ 560,000	\$ 609,000	\$ 611,793	\$ 2,793
Sales	1,400,000	1,430,000	1,431,572	1,572
Intergovernmental	573,100	584,815	518,706	(66,109)
Fees, charges, and commissions for services	302,750	298,430	403,781	105,351
Interest	4,650	3,693	5,313	1,620
Miscellaneous	<u>7,000</u>	<u>2,845</u>	<u>14,410</u>	<u>11,565</u>
Total revenues	<u>\$ 2,847,500</u>	<u>\$ 2,928,783</u>	<u>\$ 2,985,575</u>	<u>\$ 56,792</u>
Expenditures:				
Current:				
Public safety:				
Personal services	\$ 2,395,500	\$ 2,635,000	\$ 2,481,844	\$ 153,156
Operating services	315,100	320,000	337,615	(17,615)
Materials and supplies	141,050	136,000	121,588	14,412
Travel and other charges	98,600	90,000	14,791	75,209
Debt service:				
Interest	-	15,000	12,906	2,094
Capital outlay	<u>26,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 2,976,920</u>	<u>\$ 3,196,000</u>	<u>\$ 2,968,744</u>	<u>\$ 227,256</u>
Excess (deficiency) of revenues over expenditures	<u>\$(129,420)</u>	<u>\$(267,217)</u>	<u>\$ 16,831</u>	<u>\$ 284,048</u>

(continued)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)
For the Year Ended June 30, 2004

	<u>Budget</u>			Variance - Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Other financing sources:				
Operating transfers in	\$ 102,000	\$ 402,000	\$ 502,000	\$ 100,000
Insurance recovery	<u>500</u>	<u>912</u>	<u>913</u>	<u>1</u>
Total other financing sources	<u>\$ 102,500</u>	<u>\$ 402,912</u>	<u>\$ 502,913</u>	<u>\$ 100,001</u>
Net change in fund balance	\$(26,920)	\$ 135,695	\$ 519,744	\$ 384,049
Fund balance - beginning	<u>130,772</u>	<u>89,622</u>	<u>95,420</u>	<u>5,798</u>
Fund balance - ending	<u>\$ 103,852</u>	<u>\$ 225,317</u>	<u>\$ 615,164</u>	<u>\$ 389,847</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - CORRECTIONS FUND

For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 500	\$ 1,650	\$ -	\$(1,650)
Fees, charges, and commissions for services	3,188,000	3,593,200	3,690,266	97,066
Interest	6,500	6,500	3,944	(2,556)
Miscellaneous	5,000	5,000	14,937	9,937
Total revenues	<u>\$ 3,200,000</u>	<u>\$ 3,606,350</u>	<u>\$ 3,709,147</u>	<u>\$ 102,797</u>
Expenditures:				
Current:				
Public safety:				
Personal services	\$ 1,901,750	\$ 1,901,750	\$ 1,781,060	\$ 120,690
Operating services	296,723	325,000	364,216	(39,216)
Material and supplies	553,800	553,800	556,021	(2,221)
Travel and other charges	1,500	4,000	2,839	1,161
Debt service:				
Principal	172,775	172,775	172,775	-
Interest	118,452	118,452	118,453	(1)
Capital outlay	-	1,095	1,095	-
Total expenditures	<u>\$ 3,045,000</u>	<u>\$ 3,076,872</u>	<u>\$ 2,996,459</u>	<u>\$ 80,413</u>
Excess of revenues over expenditures	\$ 155,000	\$ 529,478	\$ 712,688	\$ 183,210
Other financing sources (uses):				
Operating transfers in (out)	(102,000)	(502,000)	(502,000)	-
Net change in fund balance	\$ 53,000	\$ 27,478	\$ 210,688	\$ 183,210
Fund balance - beginning	<u>365,238</u>	<u>254,253</u>	<u>254,252</u>	<u>(1)</u>
Fund balance - ending	<u>\$ 418,238</u>	<u>\$ 281,731</u>	<u>\$ 464,940</u>	<u>\$ 183,209</u>

OTHER SUPPLEMENTARY INFORMATION

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

FIDUCIARY FUND TYPES - AGENCY FUNDS

Tax Collector Fund - Article V, Section 27 of the Louisiana Constitution of 1974, provides that the Sheriff will serve as the collector of state and parish taxes and fees. The Tax Collector Fund is used to collect and distribute taxes and fees to the appropriate taxing bodies.

Criminal Fund - accounts for the collection of bonds, fines and costs, and payment of the collections to recipients in accordance with applicable laws.

Civil Fund - accounts for the collection of funds in civil suits, sheriff's sales, and garnishments and payments of these collections to recipients in accordance with applicable laws.

License Fund - accounts for the collection and distribution of parish occupational, beer, liquor, and private club licenses.

Inmate Work Release Fund - accounts for funds of inmates that are earned under the work release program.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

COMBINING BALANCE SHEET -
FIDUCIARY FUND TYPES - AGENCY FUNDS
June 30, 2004

	Tax Collector <u>Fund</u>	Criminal <u>Fund</u>	Civil <u>Fund</u>	License <u>Fund</u>	Inmate Work Release <u>Fund</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 162,322	\$ 148,418	\$ 10,300	\$ 275	\$ 326	\$321,641
Investments	59,879	-	-	-	-	59,879
Due from other funds	<u>-</u>	<u>592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>592</u>
Total assets	<u>\$ 222,201</u>	<u>\$ 149,010</u>	<u>\$ 10,300</u>	<u>\$ 275</u>	<u>\$ 326</u>	<u>\$382,112</u>
LIABILITIES						
Due to other funds	\$ 5,845	\$ -	\$ -	\$ -	\$ -	\$ 5,845
Due to taxing bodies and others	<u>216,356</u>	<u>149,010</u>	<u>10,300</u>	<u>275</u>	<u>326</u>	<u>376,267</u>
Total liabilities	<u>\$ 222,201</u>	<u>\$ 149,010</u>	<u>\$ 10,300</u>	<u>\$ 275</u>	<u>\$ 326</u>	<u>\$382,112</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

COMBINING SCHEDULE OF CHANGES IN UNSETTLED
BALANCES DUE TO TAXING BODIES AND OTHERS -
FIDUCIARY FUND TYPES - AGENCY FUNDS
For the Year Ended June 30, 2004

	Tax Collector <u>Fund</u>	Criminal <u>Fund</u>	Civil <u>Fund</u>	License <u>Fund</u>	Inmate Work Release <u>Fund</u>	<u>Totals</u>
Unsettled balances due to taxing bodies and others - beginning	\$ 227,991	\$ 84,148	\$ 10,300	\$ 125	\$ 21	\$ 322,585
Additions:						
Deposits:						
Ad valorem taxes:						
Current year	\$ 8,241,148	\$ -	\$ -	\$ -	\$ -	\$ 8,241,148
Prior year	9,711	-	-	-	-	9,711
State revenue sharing	617,111	-	-	-	-	617,111
Occupational licenses	-	-	-	51,915	-	51,915
Beer, liquor, and private club licenses	-	-	-	4,040	-	4,040
Interest:						
Bank account	5,057	-	-	-	-	5,057
Delinquent taxes	11,594	-	-	-	-	11,594
Protested taxes held in escrow	2,122	-	-	-	-	2,122
Redemptions	55,894	-	-	-	-	55,894
Tax notices, etc.	24,888	-	-	-	-	24,888
Appearance bonds, fines, etc.	-	576,775	-	-	-	576,775
Sales	-	-	523,698	-	-	523,698
Garnishments	-	-	171,121	-	-	171,121
Other additions	-	-	61,655	-	212,958	274,613
Total additions	<u>\$ 8,967,525</u>	<u>\$ 576,775</u>	<u>\$ 756,474</u>	<u>\$ 55,955</u>	<u>\$ 212,958</u>	<u>\$ 10,569,687</u>

(continued)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

COMBINING SCHEDULE OF CHANGES IN UNSETTLED
BALANCES DUE TO TAXING BODIES AND OTHERS -
FIDUCIARY FUND TYPES - AGENCY FUNDS (Continued)
For the Year Ended June 30, 2004

	Tax Collector <u>Fund</u>	Criminal <u>Fund</u>	Civil <u>Fund</u>	License <u>Fund</u>	Inmate Work Release <u>Fund</u>	<u>Totals</u>
Reductions:						
Deposits settled to:						
Clerk of Court	\$ -	\$ -	\$ 160,252	\$ -	\$ -	\$ 160,252
Witnesses and appraisers	-	-	8,700	-	-	8,700
Louisiana Department of Forestry	9,418	-	-	-	-	9,418
Louisiana Tax Commission	2,671	-	-	-	-	2,671
Tensas Basin Levee District	98,375	-	-	-	-	98,375
Morehouse Parish:						
Assessor	392,182	-	-	-	-	392,182
Police Jury	2,097,571	127,757	-	47,434	-	2,272,762
School Board	4,743,479	-	-	-	-	4,743,479
Sheriff	746,054	68,721	165,973	8,371	91,588	1,080,707
Library	390,460	-	-	-	-	390,460
Ward 2 Fire District No. 1	72,164	-	-	-	-	72,164
Ward 5 Fire District No. 1	21,460	-	-	-	-	21,460
Ward 6 Fire District No. 1	65,404	-	-	-	-	65,404
Ward 8 Fire District No. 1	22,880	-	-	-	-	22,880
Ward 10 Fire District No.1	22,977	-	-	-	-	22,977
Bonne Idee Drainage District	10,404	-	-	-	-	10,404
City of Bastrop	3,464	-	-	-	-	3,464
Pension funds	242,761	-	-	-	-	242,761
Refunds	37,436	-	-	-	-	37,436
Inmate disbursements	-	-	-	-	121,023	121,023
Litigants	-	-	398,372	-	-	398,372
Other settlements	-	315,435	23,177	-	42	338,654
Total reductions	<u>\$ 8,979,160</u>	<u>\$ 511,913</u>	<u>\$ 756,474</u>	<u>\$ 55,805</u>	<u>\$ 212,653</u>	<u>\$ 10,516,005</u>
Unsettled balances due to taxing bodies and others - ending						
	<u>\$ 216,356</u>	<u>\$ 149,010</u>	<u>\$ 10,300</u>	<u>\$ 275</u>	<u>\$ 326</u>	<u>\$ 376,267</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF CURRENT INSURANCE (UNAUDITED)

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
General Liability	Hermitage Insurance Company	HGL428746	General Aggregate - \$1,000,000 Occurrence - \$1,000,000 Fire Legal - \$50,000 \$500 Deductible	February 19, 2005
Fidelity	Fidelity & Deposit Company	CCP1557386	\$5,000 to \$265,000	December 6, 2004
Property	Massachusetts Bay	FD05941741	6444 Patey Road: Building - \$3,060,750 \$5,000 Deductible 4550 Reilly Street: Building - \$144,427 Contents - \$33,075 4729 Eugene Ware Road: Building - \$47,250 Contents - \$7,350 1135 Leavell Street: Contents - \$10,500	July 8, 2005

HILL, INZINA & COMPANY

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

Morehouse Parish Sheriff
Bastrop, Louisiana

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff"), as of and for the year ended June 30, 2004, which collectively comprise the Sheriff's basic financial statements and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgement, could adversely affect the Sheriff's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-2, 2004-3, and 2004-4.

A material weakness is a reportable 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 caused by error or fraud 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. However, we consider the reportable conditions described above to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2004-1. We also noted certain additional matters that we reported to management of the Sheriff in a separate letter dated November 30, 2004.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Dwyer & Co.

November 30, 2004

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
For the Year Ended June 30, 2004

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2004, which collectively comprise the Sheriff's basic financial statements and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2004-1 Noncompliance with Bond Resolution (initially cited as of and for the year ended June 30, 2002)

Criteria: Article V of the bond resolution of the \$2,915,000 Revenue Refunding Bonds, Series 1997, requires that the Sheriff maintain at least \$200,000 in the Detention Center Depreciation and Contingencies Fund bank account to be used for extension, additions, improvements, renewals, and replacements necessary to properly operate the detention center. Monthly deposits of \$1,156 are required to be made to the Detention Center Depreciation and Contingencies Fund bank account until \$200,000 is accumulated in the fund.

Condition: During the entire year ended June 30, 2004, the balance in the Detention Center Depreciation and Contingencies Fund bank account was less than \$200,000; however, no monthly deposits were made to the bank account during the year ended June 30, 2004.

Effect: The failure to comply with the provisions of the bond resolution could be considered default on the loan.

Recommendation: We recommend that the Sheriff make monthly deposits to the fund until a balance of \$200,000 is accumulated therein.

Management's
response and
planned cor-
rective action:

As funds become available, we will make monthly deposits into the Detention Center Depreciation and Contingencies Fund until the required balance is accumulated.

2004-2 Inadequate Segregation of Duties (initially cited as of and for the ended June 30, 2001)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

2004-3 Improvement of Controls Over Expenditures/Disbursements (initially cited as of and for the year ended June 30, 2001)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies in internal controls over expenditures/disbursements were noted:

1. 5 out of 54 (9%) disbursements examined were supported by invoices that were not signed by the individual Sheriff's employee purchasing or receiving the goods.
2. 6 out of 54 (11%) disbursements examined were not supported by a properly prepared purchase order.

Effect: The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Recommendation: We recommend the following with regard to improving controls over expenditures/disbursements:

1. Invoices should be signed by the individual Sheriff's employee purchasing or receiving the goods or services to provide evidence that the disbursements are a valid expenditure to the Sheriff.
2. Purchase orders should be properly prepared in accordance with established internal control policies and procedures.

Management's response and planned corrective action:

The chief civil deputy will review all invoices before payment is made to ensure they are signed and applicable purchase orders are properly prepared.

2004-4 Improvement of Controls Over Maintenance of Accounting Records (initially cited as of and for the year ended June 30, 2001)

Criteria: Management is responsible for establishing and maintaining accounting records that provide for the preparation of accurate and timely financial statements.

Condition: The accounting records of the Inmate Commissary Fund were not maintained in a manner that would allow for the timely preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. This deficiency resulted in the Inmate Commissary Fund being excluded from the financial statements as of and for the year ended June 30, 2004.

Effect: The failure to properly maintain accounting records could result in material misstatement of the financial statements prepared from these records.

Recommendation: We recommend that the accounting records of the Inmate Commissary Fund be maintained in a manner that allows for the timely preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's response and planned corrective action:

Upgrades have been made by the company providing software for maintaining the accounting records of the Inmate Commissary Fund and such records should be available henceforth.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2004

Section I - Compliance and Internal Control Material to the Financial Statements

2003-1 Noncompliance with Bond Resolution

Recommend that the funds in the Detention Center Depreciation and Contingencies Fund bank account be used in accordance with the bond resolution and that the Sheriff make monthly deposits to the bank account until a balance of \$200,000 is accumulated therein.

Unresolved - 2004-1.

2003-2 Inadequate Segregation of Duties

No action recommended.

Unresolved - 2004-2.

2003-3 Improvement of Controls over Expenditures/Disbursements

Recommend that invoices be paid in full and in a timely manner, that invoices be signed by the individual Sheriff's employee purchasing or receiving the goods or services, and that purchase orders be properly prepared in accordance with established internal control policies and procedures.

Partially resolved - 2004-3.

2003-4 Improvement of Controls over Maintenance of Accounting Records

Recommend that the amounts incorrectly included as deposits in transit be identified, corrected, and cleared from bank reconciliations; that accounting records of the North Louisiana Drug Enforcement Bureau (NLDEB) grant account consists of monthly transaction registers, a general ledger, and monthly financial reports; and that complete accounting records be maintained for the Inmate Commissary Fund.

Partially resolved - 2004-4.

2003-5 Improvement of Controls Over Tax Collector Amount

Recommend that taxing bodies be notified by the Sheriff of incorrect distribution of taxes for the 2002 tax roll, that a tax roll status report be reviewed for accuracy each month, that the Sheriff distribute the interest earned on the tax collector account in accordance with state law, that the interest earned on accounts maintained for property taxes paid under protest be posted to the accounting records on a timely basis, that the amounts incorrectly included as deposits in transit on the tax collector account bank reconciliation be identified, corrected, and cleared, that the monthly tax account analysis reflect collections on hand at the end of each month, and that all other amounts on the analysis be identified, corrected, and cleared.

Resolved.

Section II - Management Letter

2003-1 Local Government Budget Act

Recommend that the notice of public hearing on the proposed budget be published at least ten day prior to the date of the public hearing.

Unresolved - 2004-1.

2003-2 Annual Expenditure Report

Recommend that the Sheriff file its annual expenditure report with the police jury and parish clerk of court before August 1st of each year.

Resolved.

2003-3 Compliance with Grant Agreement

Recommend that grant funds only be expended in accordance with the project budget.

Unresolved - 2004-2.

2003-4 Physical Inventory of Assets

Recommend that the Sheriff conduct a physical inventory of assets included on the capital asset listing.

Resolved.

HILL, INZINA & COMPANY

Morehouse Parish Sheriff
Bastrop, Louisiana

We have audited the basic financial statements of Morehouse Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2004, and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our reports on the financial statements and on internal control and compliance with laws, regulations, contracts, and grants, dated November 30, 2004.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal control.

2004-1 Local Government Budget Act

Louisiana Revised Statute 39:1307 (B) requires that the Sheriff publish a notice of the public hearing on the proposed budget at least ten days prior to the date of the public hearing. Only one day lapsed between the publication and the date of the hearing for the proposed budget for the year ended June 30, 2004. We recommend that the notice of public hearing be published at least ten days prior to the date of the hearing.

2004-2 Compliance with Grant Agreement

The Sheriff is the grant recipient and administrative entity for North Louisiana Drug Enforcement Bureau (NLDEB). NLDEB received a grant from Louisiana Commission on Law Enforcement and Administration of Criminal Justice for its multi-jurisdictional task force for the year ended June 30, 2004. The project budget allowed NLDEB to be reimbursed for personnel, telephone, and confidential fund expenditures. During the year ended June 30, 2004, NLDEB requested and received \$17,973 as reimbursement for confidential fund expenditures. NLDEB only expended \$7,063 in confidential funds; therefore \$10,910 of grant funds were expended for other expenditure categories that were not approved in the project budget. Grant funds should only be expended in accordance with the project budget.

The grant agreement requires that program income be reported on the monthly subgrant expenditure report. NLDEB received \$10,111 from forfeited assets and none of this program income was reported on the monthly expenditure report. Program income should be reported as required by the grant agreement.

The grant agreement also requires that the Sheriff keep a form I-9 (Immigration and Naturalization Service Employment Eligibility Form) on file for all employees paid from grant funds. There was no I-9 on file for the Sheriff's employee paid from the grant funds. A form I-9 should be completed and kept in the personnel file of the employee paid from grant funds.

We recommend that management address the foregoing issues as improvements to operations and the administration of public programs. We are available to further explain the suggestions or to help implement the recommendations.

Hill, Morgan & Co.

November 30, 2004