

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2020

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Honorable Sid J. Gautreaux, III
Sheriff and Tax Collector
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule, the Schedule of Changes in Total Other Post-Employment Benefit Plan Liability and Related Ratios, the Schedule of Proportionate Share of the Net Pension Liability – Sheriffs' Pension and Relief Fund, and the Schedule of the Employer's Contributions to the Sheriff's Pension and Relief Fund, presented on pages 4 through 9, page 34, page 35, page 36, and page 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. The Combining Schedule of Fiduciary Assets and Liabilities – All Agency Funds, the Combining Schedule of Changes in Amounts Due Taxing Bodies and Others – All Agency Funds, and the Schedule of Compensation, Benefits, and Other Payments to the East Baton Rouge Parish Sheriff, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Combining Schedule of Fiduciary Assets and Liabilities – All Agency Funds, the Combining Schedule of Changes in Amounts Due Taxing Bodies and Others – All Agency Funds, the Schedule of Compensation, Benefits, and Other Payments to the East Baton Rouge Parish Sheriff, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2021, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sheriff's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Sheriff's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 12, 2021

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

This section of the East Baton Rouge Parish Sheriff's (the Sheriff's) annual financial report provides a narrative discussion and analysis of the financial activities of the Sheriff for the fiscal years ended June 30, 2020 and 2019. The Sheriff's financial performance is discussed and analyzed within the context of the financial statements and disclosures, which follow this section.

Financial Highlights

- The Sheriff's net position reflects a deficit of approximately \$35 million for the fiscal year ended June 30, 2020 compared to the deficit of approximately \$46 million for fiscal year ended June 30, 2019. This deficit net position reflects, among other things, the Sheriff's proportionate share of net pension liability for the defined benefit pension plan in which his office participates. Additionally, the Sheriff is required to recognize and report his total other post-employment benefit liability. See notes 7 and 8 to the financial statements. These two liabilities account for approximately \$90.5 million of the total liabilities and are the primary reasons for the net position deficit.
- Total revenues of approximately \$111.9 million exceeded total expenses of approximately \$100.9 million, resulting in an increase in the net position of approximately \$11 million for the year ended June 30, 2020. For the year ended June 30, 2019, total revenues of approximately \$99.5 million exceeded total expenses of \$93.9 million, resulting in an increase in net position of approximately \$5.6 million for that year (a decrease in net position deficit).
- The Sheriff's governmental funds contained total ending fund balances of approximately \$34.4 million and \$22.2 million as of June 30, 2020 and 2019, respectively. This level of fund balance provides a reasonably adequate level of operating reserves for the near-term.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$11.8 million and \$10.0 million for the years ended June 30, 2020 and 2019, respectively. This investment in capital assets includes property and equipment net of accumulated depreciation and debt used to purchase or fund the assets.
 - (2) Restricted net position of \$0.1 million and \$0.8 million for the years ended June 30, 2020 and 2019, respectively. These resources consist primarily of seized assets, net of liabilities, or other accounts whose use is restricted by statute.
 - (3) Unrestricted net position deficit of \$47.0 million and \$56.9 million for the years ended June 30, 2020 and 2019, respectively indicates net liabilities for the long-term that must be paid from future resources.

Greater detail of these financial highlights is provided in the "financial analysis" section of this document.

Overview of the Financial Statements

Management's Discussion and Analysis 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 the basic financial statements. The Sheriff also includes information in this report to supplement the basic financial statements.

Government-wide Financial Statements

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

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Sheriff's assets, deferred outflows, liabilities, and deferred inflows with the difference among them reported as *net position (deficit)*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Sheriff as a whole is improving or deteriorating. Evaluation of the overall health of the Sheriff would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

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

The government-wide financial statements present governmental activities of the Sheriff that are principally supported by tax revenue. The sole purpose of these governmental activities is public safety.

Fund Financial Statements

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

The Sheriff uses governmental funds and fiduciary funds as follows:

Governmental funds are reported in the fund financial statements and encompass the same function reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements providing a distinctive view of the Sheriff's governmental funds, including object classifications. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Fiduciary funds are combined and reported in the fiduciary fund financial statements. These funds account for taxes collected for other taxing bodies, deposits and settlements held pending court action, the individual prison inmate accounts, and funds held for evidence in criminal proceedings. The only fiduciary type funds presented by the Sheriff are agency funds.

Notes to the basic financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Sheriff's budget presentations and post-employment benefit plans. Budgetary comparison statements are included as "required supplementary information" for the general fund. This schedule demonstrates compliance with the Sheriff's adopted and final revised budget.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Financial Analysis

The Sheriff's net position deficit was \$35 million and \$46 million at June 30, 2020 and 2019, respectively.

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

Summary Statements of Net Position

	June 30, 2020	June 30, 2019
	Governmental Activities	Governmental Activities
Assets:		
Current assets	\$ 40,324,969	\$ 27,256,735
Capital assets	11,792,843	10,980,858
Total assets	52,117,812	38,237,593
Deferred Outflows of Resources	27,887,111	15,233,659
Liabilities:		
Current liabilities	5,942,312	5,022,784
Long-term liabilities	100,688,175	83,332,136
Total liabilities	106,630,487	88,354,920
Deferred Inflows of Resources	8,423,092	11,176,714
Net position (deficit):		
Net investment in capital assets	11,792,843	10,047,692
Restricted	132,590	774,641
Unrestricted	(46,974,089)	(56,882,715)
Total net position	\$ (35,048,656)	\$ (46,060,382)

The Sheriff had \$11,792,843 and \$10,047,692 invested in capital assets at June 30, 2020 and 2019, respectively, consisting primarily of law enforcement and telecommunications equipment and vehicles. The unrestricted net deficit reflects liabilities incurred in excess of non-capital assets available to satisfy those liabilities.

Long-term liabilities (Including current portion of long-term liabilities) consisting primarily of the total other post-employment benefit liability, compensated absences payable, and the net pension liability were \$100,688,175 versus \$83,332,136 at June 30, 2020 and 2019, respectively. The change is primarily the result of the increase in the net pension liability and other post-employment benefit liability. These increases were primarily the result of fluctuating discount rates and changes in actuarial assumptions.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

The following table provides a Summary Statement of Activities that accounts for the Sheriff's changes in net position:

Summary Statements of Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Revenues:		
Program:		
Fees, charges, and commissions for services	\$ 20,354,712	\$ 22,942,901
Grants and contributions	<u>13,610,270</u>	<u>2,180,902</u>
	<u>33,964,982</u>	<u>25,123,803</u>
General:		
Ad valorem taxes	69,667,074	66,385,792
State grants not restricted to specific programs	4,215,615	4,159,716
Interest income	581,662	722,199
Gain (loss) on disposal of capital assets	-	2,618
Contributions not restricted to specific programs	2,754,075	2,573,177
Miscellaneous	<u>719,468</u>	<u>570,657</u>
Total revenues	<u>111,902,876</u>	<u>99,537,962</u>
Expenses:		
Public safety:		
Personnel services and benefits	75,273,023	68,987,878
Operating services	16,049,653	14,224,508
Materials and supplies	7,132,572	8,627,828
Transporting and other charges	<u>2,435,902</u>	<u>2,117,346</u>
Total expenses	<u>100,891,150</u>	<u>93,957,560</u>
Change in net position	11,011,726	5,580,402
Beginning net position	<u>(46,060,382)</u>	<u>(51,640,784)</u>
Ending net position	<u>\$ (35,048,656)</u>	<u>\$ (46,060,382)</u>

REVENUES

Ad-valorem taxes funded approximately 62% and 66% of the Sheriff's operations for the years ended June 30, 2020 and 2019, respectively. Ad-valorem taxes in terms of dollars, increased \$3,281,282 or 5%. Program revenues consist of fees, charges and commissions for services as well as operating grants and contributions. Program revenues from fees, charges, and commissions for services funded 18% and 23% of operations for the years ended June 30, 2020 and 2019, respectively. Those revenues decreased approximately \$2,585,000 or 11% as a result of decreased revenues collected from the City-Parish government for feeding and housing prisoners (primarily out-of-parish prisoners). Grants and contributions comprised 12% and 2% of revenue for the years ended June 30, 2020 and 2019, respectively. Those revenues increased approximately \$11,420,000 due to federal assistance provided in response to the COVID-19 pandemic to cover eligible payroll costs.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

EXPENSES

The primary function of the Sheriff's Office is public safety activities. Therefore, all expenses are presented within this category on the Statement of Activities. To highlight certain components of this broad category of expenses, we offer the following analysis.

Personnel expenses increased approximately \$6.3 million or 9%. The increased personnel expenses are attributable to pay adjustments and increased overtime associated with the COVID-19 pandemic and civil unrest. Operating service expenses increased approximately \$1.8 million or 13%. This is primarily the result of increases in auto insurance expense, professional services associated with technology, and depreciation expense associated with capital assets. Expenses for materials and supplies decreased approximately \$1.5 million or 17% as a result of decreased out-of-parish prisoner maintenance costs. Transporting and other costs increased approximately \$319,000 or 15% as a result of increased medical expenses and payments to the City-Parish to reimburse for prisoner expenses.

Financial Analysis of the Sheriff's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of approximately \$34.4 million and \$22.2 million at June 30, 2020 and 2019, respectively. The fund balance as of June 30, 2020 represents approximately 35% of annual expenditures. This level of fund balance is necessary to allow the Sheriff to sustain operations during periods of decreased revenues without having to obtain significant short or long-term borrowings to fund operations. The Sheriff's management team is monitoring the fund balance level to ensure it is maintained at an adequate level.

Budgetary Highlights

The General Fund — The original budget for the General Fund included anticipated revenues of approximately \$97.9 million and \$96.5 million for the years ended June 30, 2020 and 2019, respectively, an increase of approximately \$1.4 million from 2019 to 2020. For the fiscal year ended June 30, 2020, the budget was amended to reflect net changes among various revenue accounts for a decrease totaling approximately \$344,000. This budget decrease is attributable to lower revenues associated with feeding and keeping of prisoners, lower fee income offset by some increases in ad valorem taxes and grant revenues. The total actual revenues of \$108 million, as reported in the General Fund, were greater than the amended budget by approximately \$11,000,000, primarily due to federal assistance provided in response to COVID-19.

The original budget for the General Fund included anticipated expenditures of approximately \$97.8 million and \$95.1 million for the years ended June 30, 2020 and 2019, respectively, an increase of approximately \$2.7 million from 2019 to 2020. For the year ended June 30, 2020, the budget was amended to reflect an increase of approximately \$1,164,000 in anticipated expenditures. The total actual expenditures of \$96.5 million, as reported in the General Fund, were less than the amended budget by approximately \$2.5 million, primarily due to less than expected medical expenses as a result of elective medical procedures not being performed due to COVID-19.

Overall, the net change (increase) in fund balance for the year ended June 30, 2020 of \$12.1 million was \$13.4 more than anticipated primarily the result of higher than anticipated General Fund revenues associated with grants awarded for the COVID-19 pandemic.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital assets

The Sheriff's investment in capital assets was \$11,792,843, net of accumulated depreciation of \$21,633,143 at June 30, 2020 and \$10,980,858 net of accumulated depreciation of \$19,813,824 at June 30, 2019. Under the Sheriff's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting. All assets with a cost of \$500 or more, as well as certain assets with a cost of less than \$500, are inventoried and tracked. This has no financial statement impact. See Note 3 within the notes to the financial statements for additional information about changes in capital assets during the fiscal year and the balance at the end of the year.

The following table provides a summary of capital asset categories:

	Capital Assets (net of accumulated depreciation, where applicable)	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land	\$ 68,566	\$ 68,566
Buildings	2,307,069	2,332,701
Vehicles	6,136,427	5,056,928
Office furniture & equipment	309,291	266,588
Law enforcement equipment	2,701,648	2,943,446
Telecommunications equipment	269,842	312,629
Total capital assets	<u>\$ 11,792,843</u>	<u>\$ 10,980,858</u>

At June 30, 2020 and 2019, the depreciable capital assets for governmental activities were 65% and 64% depreciated, respectively.

Long-term liabilities

The Sheriff has no long-term bonded debt or borrowings outstanding at June 30, 2020. Other long-term liabilities consisted of total other post-employment benefits liability of \$59,780,609; general liability and auto claims payable of \$2,575,000, compensated absences of \$7,578,883, and the net pension liability of \$30,753,683 as of June 30, 2020. These long-term liabilities increased approximately \$17.4 million in total from June 30, 2019 primarily as a result of increases in the net pension and total other post-employment benefits liabilities. (see Notes 7 & 8).

Economic Conditions and Budgets of Future Periods

In setting the fiscal year 2021 General Fund budget, property tax revenues were projected to increase by approximately 2%. Federal grant revenues are expected to decrease as a result of additional funding associated with the COVID-19 pandemic recognized in fiscal year 2020. Expenditures are expected to increase because of more expenditures related to personnel and services.

Contacting the Sheriff's Financial Management

This financial report is designed to provide a general overview of the Sheriff's finances, comply with laws and regulations related to finance, and demonstrate the Sheriff's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Sheriff's Office, Edward "Skip" Rhorer, Chief Civil Deputy, at (225) 389-5000 or email at srhorer@ebrso.org.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Cash	\$ 26,346,008
Receivables	2,587,138
Due from other governments	11,061,137
Other	330,686
Capital assets not being depreciated:	
Land	68,566
Capital assets, net of depreciation	<u>11,724,277</u>
Total assets	<u>52,117,812</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension contributions	5,933,580
Deferred outflow amounts related to total other post-employment benefits	10,181,996
Deferred outflow amounts related to pension liability	<u>11,771,535</u>
Total deferred outflows of resources	<u>27,887,111</u>

LIABILITIES

Accounts payable and accrued liabilities	3,649,645
Health claims payable	1,510,000
Due to others	782,667
Long-term liabilities:	
Due in one year:	
Compensated absences payable	4,759,379
Total other post-employment benefit liability	1,925,386
Due in more than one year:	
Compensated absences payable	2,819,504
General liability and auto claims payable	2,575,000
Total other post-employment benefit liability	57,855,223
Net pension liability	<u>30,753,683</u>
Total liabilities	<u>106,630,487</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow amounts related to total other post-employment benefits	1,246,968
Deferred inflow amounts related to pension liability	<u>7,176,124</u>
Total deferred inflows of resources	<u>8,423,092</u>

NET POSITION

Net investment in capital assets	11,792,843
Restricted	132,590
Unrestricted	<u>(46,974,089)</u>
Total net deficit	<u>\$ (35,048,656)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Program Revenues</u>			Net (Expense)	
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	Revenues and Changes in Net Position
Governmental Activities:					
Public Safety	<u>\$ 100,891,150</u>	<u>\$ 20,354,712</u>	<u>\$ 2,156,796</u>	<u>\$ 11,453,474</u>	<u>\$ (66,926,168)</u>
General revenues:					
Ad valorem taxes					69,667,074
State grants not restricted to specific programs					4,215,615
Interest income					581,662
Contributions not restricted to specific programs					2,754,075
Other					<u>719,468</u>
Total general revenues					<u>77,937,894</u>
Change in net position					11,011,726
Net position - beginning					<u>(46,060,382)</u>
Net position - ending					<u>\$ (35,048,656)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>	<u>Non-Major Canteen Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 25,969,256	\$ 174,123	\$ 26,143,379
Cash restricted	202,629	-	202,629
Receivables	2,587,138	-	2,587,138
Due from other governments	11,061,137	-	11,061,137
Other	320,490	10,196	330,686
Total assets	<u>\$ 40,140,650</u>	<u>\$ 184,319</u>	<u>\$ 40,324,969</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 3,636,899	\$ 12,746	\$ 3,649,645
Health claims payable	1,510,000	-	1,510,000
Due to others	782,667	-	782,667
Total liabilities	<u>5,929,566</u>	<u>12,746</u>	<u>5,942,312</u>
<u>FUND BALANCE</u>			
Restricted	132,590	-	132,590
Committed	-	171,573	171,573
Unassigned	34,078,494	-	34,078,494
Total fund balances	<u>34,211,084</u>	<u>171,573</u>	<u>34,382,657</u>
Total liabilities and fund balances	<u>\$ 40,140,650</u>	<u>\$ 184,319</u>	<u>\$ 40,324,969</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances for governmental funds at June 30, 2020	\$ 34,382,657
Total Net Position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capitalized cost, net of \$21,633,143 accumulated depreciation:	11,792,843
Long-term liabilities at June 30, 2020:	
Total other post-employment benefits liability	(59,780,609)
Claims payable - general liability and auto	(2,575,000)
Compensated absences payable	(7,578,883)
Lease payable	-
Pension liabilities, deferred inflows and deferred outflows of resources:	
Net pension liability	(30,753,683)
Deferred inflows related to pension liability	(7,176,124)
Deferred outflows related to other post employment benefits	10,181,996
Deferred outflows related to pension liability	17,705,115
Deferred inflows related to other post employment benefits	<u>(1,246,968)</u>
Total Net Position of governmental activities at June 30, 2020	<u>\$ (35,048,656)</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

<u>REVENUES</u>	General Fund	Non-Major Canteen Fund	Total
Ad valorem taxes	\$ 69,667,074	\$ -	\$ 69,667,074
Intergovernmental revenues:			
Federal grants and other financial assistance	12,965,944	-	12,965,944
State grants	268,080	-	268,080
State supplemental pay	3,523,621	-	3,523,621
State revenue sharing	691,994	-	691,994
Fees, charges, and commissions for services:			
Civil and criminal fees	7,454,600	-	7,454,600
Court attendance	83,538	-	83,538
Transporting prisoners	223,834	-	223,834
Feeding and keeping prisoners	7,694,859	-	7,694,859
Sales of merchandise	-	74,093	74,093
Fines and forfeitures	310,969	-	310,969
Narcotics seizures	225,817	-	225,817
Other	3,814,319	472,683	4,287,002
Interest income	578,052	3,610	581,662
Donations	376,246	-	376,246
Miscellaneous	604,484	1,074	605,558
Total Revenues	108,483,431	551,460	109,034,891
 <u>EXPENDITURES</u>			
Public safety:			
Personnel services and related benefits	69,238,158	-	69,238,158
Operating services	13,274,329	448,503	13,722,832
Materials and supplies	7,045,844	86,728	7,132,572
Transporting and other charges	2,471,008	32,809	2,503,817
Payment on lease agreement	933,166	-	933,166
Capital outlay	3,488,194	-	3,488,194
Total Expenditures	96,450,699	568,040	97,018,739
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 12,032,732	 (16,580)	 12,016,152
 Other financing sources:			
Sale of fixed assets	132,554	-	132,554
Total other financing sources	132,554	-	132,554
 Net change in fund balance	 12,165,286	 (16,580)	 12,148,706
 FUND BALANCE AT BEGINNING OF YEAR	 22,045,798	 188,153	 22,233,951
 FUND BALANCE AT END OF YEAR	 \$ 34,211,084	 \$ 171,573	 \$ 34,382,657

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS'
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balance for year ended June 30, 2020, \$ 12,148,706
per Statement of Revenues, Expenditures and Changes in Fund Balances

The change in net position reported for governmental activities in the
Statement of Activities is different because:

Governmental funds report capital asset purchases 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.

Purchases of capital assets	3,556,109	
Depreciation expense	(2,700,324)	
Net book value of capital assets disposed	<u>(43,800)</u>	811,985
Excess of compensated absences earned over compensated absences taken		(343,093)
Change in general and auto claims payable		(75,000)
Payment on lease (expenditure in governmental funds; debt reduction)		933,166
Net change in other post-employment benefits liability and deferred inflows/outflows of resources		(2,711,579)
Net change in pension liability and deferred inflows/outflows of resources		<u>247,541</u>
Total change in Net Position for year ended June 30, 2020, per Statement of Activities		<u>\$ 11,011,726</u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINED STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 17,701,164
Receivables	<u>104,773</u>
Total Assets	<u><u>\$ 17,805,937</u></u>

LIABILITIES

Balance due to taxing bodies, prisoners and others	<u>\$ 17,805,937</u>
Total Liabilities	<u><u>\$ 17,805,937</u></u>

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the East Baton Rouge Parish Sheriff (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 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 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, anti-drug abuse programs, et cetera. In addition, when requested, the Sheriff provides assistance to other law enforcement agencies within the parish.

As the ex-officio tax collector of the parish, the Sheriff is responsible for collecting and distributing ad valorem property taxes, state revenue sharing funds, proceeds of sales of seized property and fines, costs, and bond forfeitures imposed by the district court.

A. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

The statement of net position and the statement of activities display information about the primary government. They include all of the non-fiduciary type funds of the reporting entity, which are considered to be governmental activities. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Sheriff's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function. Program revenues are derived directly from fees and charges paid by the recipient 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.

FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the Sheriff's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

A. **BASIS OF PRESENTATION, BASIS OF ACCOUNTING** (continued)

The Sheriff reports the following major governmental fund:

General Fund

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the Sheriff's Office and accounts for a majority of the operations of the Sheriff's Office. The Sheriff's primary source of revenue are ad valorem taxes levied by the law enforcement district. Other sources of revenue include commissions on state revenue sharing, state supplemental pay for deputies, civil and criminal fees, fees for court attendance, and maintenance of prisoners, et cetera. General operating expenditures are paid from this fund.

The Sheriff reports the following non-major governmental fund:

Special Revenue Fund

Special Revenue Funds account for the proceeds of restricted or committed revenue sources. The Canteen Fund accounts for the operation of the prison commissary which is funded through sales of goods and services to prisoners.

Additionally, the Sheriff reports a fiduciary fund type as follows:

Agency Funds

The agency funds are used as depositories for civil suits, cash bonds, ad-valorem taxes collected, fees, evidence seized, prisoner deposits, et cetera. Disbursements from these funds are made to various local government agencies, litigants in suits, detainees, et cetera, in the manner prescribed by law. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. **REPORTING ENTITY**

GASB Codification Section 2100 sets forth the definition of the reporting entity.

For financial reporting purposes, the Sheriff includes all funds, activities, et cetera, that are controlled by the Sheriff as an independently elected parish official. As such, the Sheriff is solely responsible for the operations of his office, which include the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the Sheriff's Office that are paid or provided by the city-parish council as required by Louisiana law, the Sheriff is fiscally independent and is financially accountable to no other entity. As required by generally accepted accounting principles, the financial statements of the reporting entity include only those of the East Baton Rouge Parish Sheriff (the primary government). There are no component units to be included in the Sheriff's reporting entity.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The Government-Wide Financial Statements (GWFS) and fiduciary fund statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied and enabling legislation occurred making the funds available from the grantor.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Sheriff considers all property tax revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Revenues from grants, entitlements, and donations are considered available if it's probable that the revenues will be collected within six months after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

D. BUDGET PRACTICES

The proposed budget for the year ended June 30, 2020, was made available for public inspection and comments from taxpayers at the Sheriff's office on June 6, 2019. A public hearing was held on the proposed budget at least 10 days after publications of the call of the hearing. The proposed budget was published in the official journal ten days prior to the public hearing, which was held at the Sheriff's Office on June 26, 2019 for the comments from taxpayers. The budget was legally adopted and amended, as necessary, by the Sheriff.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget presented in the accompanying budgetary comparison schedule includes the originally adopted budget and the final budget which includes all subsequent amendments.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposit accounts, interest-bearing demand deposits, and money market accounts. Under state law, the Sheriff may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Tax collections must be deposited in a bank domiciled in the parish where the funds are collected.

Under state law, the Sheriff may invest in United States bonds, treasury notes, U.S. Agency obligations or investment grade commercial paper. These are classified as investments if their original maturity exceeds 90 days.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. **CAPITAL ASSETS**

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated fixed assets are recorded as capital assets at their acquisition value at the date of donation. The Sheriff maintains a threshold level of \$5,000 or more for capitalizing assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are recorded in the Statement of Net Position and depreciation thereon within the Statement of Activities. Since surplus assets are sold for an immaterial amount when declared no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	Estimated Useful Lives
Buildings	40
Vehicles	5
Office Furniture and Equipment	5 - 15
Law Enforcement Equipment	7 - 10
Telecommunications Equipment	10 - 15

G. **COMPENSATED ABSENCES**

Employees of the Sheriff's Office earn from 16 to 22 hours of paid time off (PTO) every 28 days of uninterrupted full-time employment. Maximum accrual of PTO is 1,040 hours, depending upon length of service. During the year ended June 30, 2010, the Sheriff discontinued the accrual of sick leave. The unused sick leave was transferred to PTO to the extent that the transfer did not cause accumulated PTO to exceed 1,040 hours. The remaining sick leave that could not be transferred will be available for the respective employees to use. However, upon termination, accumulated sick leave that was not transferred to PTO, will not be paid out. Upon termination of employment, employees are paid for accrued but unused PTO up to 300 hours.

Law enforcement employees receive overtime compensation for compensable hours worked in excess of 171 hours in a 28-day work period. Non-law enforcement employees receive overtime compensation for compensable hours worked in excess of 40 hours during a 7-day work week. Exempt employees are not compensated for overtime unless in the case of emergency response as approved by the Sheriff. As a condition of employment with the Sheriff's Office, nonexempt employees receive compensatory time (CT), at the rate of time and a half, in lieu of immediate cash payment for overtime. CT is time off with full pay and benefits (insurance, pension, and accrual of PTO). A maximum of 480 hours of CT may be accumulated for law enforcement personnel. A maximum of 240 hours of CT may be accumulated by non-law enforcement personnel.

The cost of leave privileges is recognized as current year expenditure in the General Fund when leave is actually taken or paid upon termination. The cost of leave privileges not requiring current resources is reported as a liability in the Statement of Net Position. As such, all accumulated CT and up to 300 hours of PTO is accrued as a liability in the Statement of Net Position.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

H. **FUND EQUITY OF FUND FINANCIAL STATEMENTS**

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable – represent permanently nonspendable balances that are not expected to be converted to cash.

Spendable

Restricted – represent balances where constraints have been established by external parties or by enabling legislation.

Committed – represent balances where constraints have been established by formal action of the Sheriff.

Assigned – represent balances where informal constraints have been established by the Sheriff or his delegate, but that are not restricted nor committed.

Unassigned – represent balances for which there are no constraints.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the Sheriff reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, the Sheriff reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

I. **USE OF ESTIMATES**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets, liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. **RESTRICTED NET POSITION**

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use either externally imposed by creditors (such as debt covenants), grants, contributors, laws, or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

K. **PENSION PLANS**

The East Baton Rouge Parish Sheriff's Office is a participating employer in the Louisiana Sheriffs' Pension and Relief Fund (Fund) as described in Note 7. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fund, and additions to/deductions from the Fund's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the Plan.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and as such will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 7 for additional information on deferred outflows of resources related to defined benefit pension plans and Note 8 for additional information on deferred outflows of resources related to other post-employment benefits.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenues) until that time. See Note 7 for additional information on deferred inflows of resources related to defined benefit pension plans and Note 8 for additional information on deferred inflows of resources related to other post-employment benefits.

M. NEWLY ADOPTED ACCOUNTING STANDARD

Certain accounting and other changes were initially planned, however; the Sheriff applied GASB Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which delayed implementation of GASB Statement No. 84 *Fiduciary Activities*, which was initially scheduled to be effective for the fiscal year ended June 30, 2020.

N. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 – *Leases*. The accounting guidance outlines new accounting and financial reporting requirements for leases. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement No. 87 will be effective for annual periods beginning after June 15, 2021. The Sheriff will include the requirements of this standard, as applicable, in its June 30, 2022 financial statements.

GASB Statement 84, *Fiduciary Activities*. This standard defines and establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria is on (1) whether the Sheriff controls the assets in a fiduciary activity and (2) there are separate identifiable beneficiaries with whom a fiduciary relationship exists. The standard is effective for annual reporting periods beginning after December 15, 2019. The Sheriff will include the requirements of this standard, as applicable, in its June 30, 2021 financial statements. The effect of this standard or its applicability to the Sheriff are unknown at this time.

The Sheriff is currently assessing the impact of these pronouncements on its financial statements.

2. PROPERTY TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY TAXES (continued)

The Sheriff, by State Law (LRS 33:1435), is the official tax collector of general property taxes levied by the Parish. Taxes collected are distributed to the various taxing authorities, including the Sheriff's General Fund on a monthly basis.

The 2020 property tax calendar is as follows:

Levy date:	September 22, 2019
Millage rates adopted:	September 22, 2019
Tax bills mailed:	November 22, 2019
Due date:	December 31, 2019
Lien date:	September 30, 2020

State Law requires the Sheriff to collect property taxes in the calendar year in which the levy is made. Property taxes become delinquent January 1st of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181).

The following is a summary of authorized and levied property taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Special law enforcement	4.36	4.36	None
Additional special law enforcement	6.90	6.90	12/31/2023
Special law enforcement	3.73	3.73	12/31/2030

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2020, are as follows:

<u>Cost</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 68,566	\$ -	\$ -	\$ 68,566
Work-in-progress	-	-	-	-
Buildings	4,105,461	89,273	-	4,194,734
Vehicles	18,130,843	2,943,783	(912,905)	20,161,721
Office furniture and equipment	1,835,589	135,867	-	1,971,456
Law enforcement equipment	6,157,345	387,186	(11,900)	6,532,631
Telecommunications equipment	496,878	-	-	496,878
Total	<u>30,794,682</u>	<u>3,556,109</u>	<u>(924,805)</u>	<u>33,425,986</u>
<u>Accumulated Depreciation</u>	<u>(19,813,824)</u>	<u>(2,700,324)</u>	<u>881,005</u>	<u>(21,633,143)</u>
Total Capital Assets (net)	<u>\$ 10,980,858</u>	<u>\$ 855,785</u>	<u>\$ (43,800)</u>	<u>\$ 11,792,843</u>

For the year ended June 30, 2020, depreciation expense was \$2,700,324.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

At June 30, 2020, the Sheriff has cash and cash equivalents consisting solely of deposits in financial institutions. 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.

Custodial credit risk is the risk that an entity may fail to receive its deposits upon failure of a financial institution. To protect against such risks, the market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. Standby letters of credit from federally sponsored lending institutions can also be used to protect against this risk. At June 30, 2020, the deposits are not exposed to custodial credit risk as a result of an adequate level of pledged securities, standby letters of credit and FDIC insurance. The Sheriff does not maintain a separate custodial credit risk policy.

5. RECEIVABLES

Receivables at June 30, 2020 are as follows:

Feeding, keeping and transporting prisoners	\$	493,759
Grant revenue		151,168
Fees, charges and commissions		570,804
Taxes		527,323
Insurance refunds		717,562
Other		126,522
	\$	<u>2,587,138</u>

6. RESTRICTED ASSETS ON NET POSITION

Restricted cash held in the general fund of \$202,629 represents funds received from grants, narcotic seizures, litigation settlements, and amounts received under Act 942. These amounts are held in these accounts until disbursements are properly authorized. Restricted net position of \$132,590 represents these same funds received less amounts due to others at June 30, 2020.

7. PENSION PLAN

The East Baton Rouge Parish Sheriff's Office is a participating employer in the Louisiana Sheriffs' Pension and Relief Fund (Fund), which is a cost-sharing defined benefit pension plan. The Fund is a public corporation created in accordance with the provision of Louisiana Revised Statute 11:2171 to provide retirement, disability and survivor benefits to employees of sheriffs' offices throughout the State of Louisiana, employees of Louisiana Sheriffs' Association and Sheriffs' Pension and Relief Fund's office. The Fund is governed by a Board of Trustees composed of 14 elected members and two legislators who serve as ex-officio members, all of whom are voting members.

The Fund issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Louisiana Sheriff's Pension and Relief Fund, 1225 Nicholson Drive, Baton Rouge, Louisiana 70802, or by calling (225) 219-0500.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. **PENSION PLAN** (continued)

Plan Description

The Louisiana Sheriffs' Pension and Relief Fund is the administrator of a cost-sharing, multiple employer defined benefit plan. The plan provides retirement, disability and survivor benefits to employees of sheriff's offices throughout the state of Louisiana, employees of the Louisiana Sheriff's Association and the Sheriff's Pension and Relief Fund's office as provided for in LRS 11:2171. Eligibility for retirement benefits and the computation of retirement benefits are provided for in LRS 11:2178.

Cost of Living Provisions

Cost of living provisions for the Fund allows the board of trustees to provide an annual cost of living increase of 2.5% of the eligible retiree's original benefit if certain funding criteria are met. Members are eligible to receive a cost of living adjustment once they have attained the age of sixty and have been retired at least one year. Funding criteria for granting cost of living adjustments is dependent on the funded ratio.

Funding Policy

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2020, the actual employer contribution rate was 12.25%. Employer contributions for the year ended June 30, 2020 were \$5,933,580. In accordance with state statute, the Fund receives ad valorem taxes, insurance premium taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense. Non-employer contributions for the year ended June 30, 2020 were \$2,754,075.

Plan members are required by state statute to contribute 10.25 percent of their annual covered salary.

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

At June 30, 2020, the Sheriff reported a liability of \$30,753,683 for its proportionate share of the net pension liability of the Louisiana Sheriffs' Pension and Relief Fund. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sheriff's proportion of the net pension liability was based on actual contributions to the plan for the year ended June 30, 2019. At June 30, 2020, the Sheriff's proportion was 6.5015%, which was an increase of 0.199% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Sheriff recognized pension expense of \$8,465,270.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. **PENSION PLAN** (continued)

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

At June 30, 2020, the Sheriff reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (5,891,782)
Changes of assumptions	9,398,757	-
Net difference between projected and actual earnings on pension plan investments	1,106,685	-
Changes in proportion	1,253,094	(1,209,669)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-
Contributions in excess (deficiency) of required amount	12,999	(74,673)
Employer contributions subsequent to the measurement date	5,933,580	-
Total	<u>\$ 17,705,115</u>	<u>\$ (7,176,124)</u>

The Sheriff reported a total of \$5,933,580 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 which will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year</u>	<u>LSPRF</u>
2020	\$ 1,883,520
2021	(988,383)
2022	1,338,252
2023	1,643,928
2024	718,094
	<u>\$ 4,595,411</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. **PENSION PLAN** (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	6 years
Investment Rate of Return	7.10%, net of investment expense
Projected salary increases	5.5% (2.50% inflation, 3.00% merit)
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table for disabled annuitants

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

The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity Securities	62%	4.40%
Fixed Income	23%	0.70%
Alternative Investments	15%	0.60%
Total	100%	5.70%
Inflation		2.40%
Expected Arithmetic Nominal Return		8.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. **PENSION PLAN** (continued)

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Sheriff’s proportionate share of the net pension liability (NPL) using the discount rate of the Retirement System as well as what the Sheriff’s proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by the Retirement System:

	1.0% Decrease	Current Discount Rate	1.0% Increase
LSPRF			
Rates	6.10%	7.10%	8.10%
EBRSO Share of NPL (Asset)	\$64,310,653	\$30,753,683	\$2,512,433

Amounts Payable to Pension Plans

The Sheriff had amounts due to the Retirement System of approximately \$837,000 at June 30, 2020.

8. **OTHER POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

General Information about the OPEB Plan

Plan description – The East Baton Rouge Parish Sheriff’s Office (the Sheriff) provides certain continuing health care and life insurance benefits for its retired employees. The East Baton Rouge Parish Sheriff’s OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Sheriff. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Sheriff. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75.

Benefits Provided – Medical and life insurance benefits are provided to employees upon actual retirement. Retirees with less than twenty years of service at retirement pay 100% of the blended medical premium, while a reduced schedule based on the blended premiums applies to retirees with twenty or more years of service at retirement. Employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions as follows: 30 years of service at any age or, age 55 and 15 years of service.

Life insurance coverage is continued to retirees based on a blended rate for active employees and retirees. The retiree pays 100% of the "cost" of the retiree's life insurance after retirement but that "cost" is based on the blended active/retired rate and there is thus an additional implied subsidy.

Employees covered by benefit terms – At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	106
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	826
	932

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued)

Total OPEB Liability

The Sheriff's total OPEB liability of \$59,780,609 was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.50% annually (Beginning of year to determine ADC) 2.21% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	5.5% annually for ten years, 4.5% thereafter
Mortality	SOA RP-2014 Table

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index over the 52 weeks immediately preceding the applicable measurement dates.

The Employee/Healthy Annuitant RP-2014 Table modified according to the most recent TRSL experience study has been used, including allowance for future mortality improvement.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 48,493,782
Changes for the year:	
Service cost	1,134,199
Interest	1,665,193
Differences between expected and actual experience	863,105
Changes of assumptions	9,458,031
Benefit payments and net transfers	(1,833,701)
Net changes	11,286,827
Balance at June 30, 2020	\$ 59,780,609

The amount of total OPEB liability due and payable within one year is \$1,925,386.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Sheriff, as well as what the Sheriff's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1.0% Decrease (1.21%)	Current Discount Rate (2.21%)	1.0% Increase (3.21%)
Total OPEB Liability	\$ 71,095,339	\$ 59,780,609	\$ 50,950,945

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Sheriff, as well as what the Sheriff’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Discount Rate (5.5%)	1.0% Increase (6.5%)
Total OPEB Liability	\$ 53,509,089	\$ 59,780,609	\$ 67,756,244

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Sheriff recognized OPEB expense of \$4,545,279. At June 30, 2020, the Sheriff reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 797,190	\$ (130,515)
Changes in assumption and other inputs	9,384,806	(1,116,453)
Total	\$ 10,181,996	\$ (1,246,968)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30:	
2021	\$ 1,745,887
2022	1,745,887
2023	1,745,887
2024	1,745,887
2025	1,745,887
Thereafter	205,593
	\$ 8,935,028

9. CHANGES IN AGENCY FUNDS

A summary of changes in agency fund amounts due to taxing bodies and others follows:

	Sheriff's Fund	Prison Inmate Fund	Tax Collector Fund	Evidence Fund	Total
Balance, July 1, 2019	\$ 8,965,971	\$ 332,277	\$ 13,270,139	\$ 1,272,227	\$ 23,840,614
Additions	29,623,033	652,021	557,840,535	885,968	589,001,557
Reductions	(30,525,718)	(574,501)	(563,743,604)	(192,411)	(595,036,234)
Balance, June 30, 2020	\$ 8,063,286	\$ 409,797	\$ 7,367,070	\$ 1,965,784	\$ 17,805,937

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

10. TAXES PAID UNDER PROTEST

Amounts held in escrow for protested taxes at June 30, 2020, were \$2,575,971, consisting of taxes paid under protest, plus interest earned to date 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.

11. RISK MANAGEMENT

A. Accounting for Risk

In accordance with Section C50 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, the Sheriff accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting. Claims paid under the Sheriff's self-insurance risk program are recorded as expenditures against the General Fund.

B. Risk Management – Workers Comp, Auto, General Liability

At June 30, 2020, the Sheriff was a defendant in multiple lawsuits in the ordinary course of business. These suits, arising from various claims involving worker's compensation issues, automobile accidents (subject to \$100,000 deductible), police misconduct, general liability (subject to \$25,000/\$100,000 plus a \$100,000 corridor deductible) and others are mostly covered through private insurance policies. However, the Sheriff is exposed for certain uninsured claims and deductibles. An estimate of \$2,575,000 has been accrued in the financial statements to account for claims and deductibles not covered through insurance that have been incurred and likely be paid, based on estimates of the Sheriff's legal counsel. Based upon the opinion of the Sheriff's legal counsel, the ultimate resolution of these matters, as well as other claims not covered by insurance policies, is not expected to materially impact the operations of the Sheriff.

C. Risk Management – Employee Health

The Sheriff assumes the risk of all medical and pharmacy claims of participants in its employee health plan up to \$150,000 per individual, with an insurance policy covering the claims in excess of that amount. For duty related claims, the excess policy is limited to \$2,000,000 per individual per year. The excess policy also covers the aggregate of claims below \$150,000 in excess of the annual attachment point, up to a \$1,000,000 limit. For the year ended June 30, 2020, the minimum annual attachment point was \$11,306,148.

The Sheriff is exposed to various risks of loss related to health insurance for its employees. The Sheriff does not report risks covered by excess insurance as liabilities unless it is probable that those claims are denied. Settlements did not materially exceed excess insurance coverage for the year. Claims activity and the estimated claims incurred but not paid at year-end are as follows:

Unpaid claims as of July 1, 2019	\$	1,800,000
Current year claims incurred and changes in estimates		6,917,929
Claims paid		<u>(7,207,929)</u>
Unpaid claims as of June 30, 2020	\$	<u>1,510,000</u>

The above unpaid claims as of June 30, 2020, include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

12. COMPENSATED ABSENCE LIABILITY

At June 30, 2020, employees of the Sheriff have accumulated and vested \$7,578,883 of employee leave benefits according to the Sheriff's PTO policy, which were computed in accordance with GASB Classification Section C60. The following is a summary of the compensated absence liability activity during the year:

	Compensated Absences
Balance as of July 1, 2019	\$ 7,235,790
Additions (amounts earned)	4,866,987
Deductions (amounts paid)	(4,523,894)
Balance as of June 30, 2020	\$ 7,578,883

The compensated absence liability is reported in the statement of net position as follows:

Compensated absences - due within one year	\$ 4,759,379
Compensated absences - due in more than one year	2,819,504
Total compensated absences	\$ 7,578,883

13. INTERFUND TRANSACTIONS

There were no interfund transactions noted to have occurred during the current fiscal year.

14. SHORT-TERM BORROWINGS AND CAPITAL LEASE

In order to finance operations until the collection of property tax revenues, the Sheriff obtained a direct borrowing short-term loan. The interest rate on the loan was 1.93%. The amount available for draw and the amount drawn was \$15,000,000. The loan was repaid in full in February of 2020. Interest paid on the loan was \$57,123 during fiscal year 2020.

During fiscal year 2016, the Sheriff entered into a direct borrowing financed purchase (capital lease) agreement in order to purchase new radios for law enforcement vehicles and the supporting centralized equipment. The total financed was \$2,799,498 at 0% interest. The lease has scheduled payments in three annual installments of \$933,166 beginning July 1, 2017. The third, and final, installment was made during the year ended June 30, 2020.

A summary of the debt activity for the year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Short-term loan	\$ -	\$ 15,000,000	\$ (15,000,000)	\$ -
Lease payable	933,166	-	(933,166)	-
Total borrowings	\$ 933,166	\$ 15,000,000	\$ (15,933,166)	\$ -

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

15. LEASE OBLIGATIONS

The Sheriff has entered into operating lease agreements for vehicles used in operations. Lease expense incurred during the year ended June 30, 2020 was approximately \$531,000. The following are annual future minimum lease payments as of June 30, 2020:

<u>Year Ending June 30,:</u>		
2021	\$	504,500
2022		299,968
2023		171,625
2024		151,154
2025		14,184
	\$	<u>1,141,431</u>

The Sheriff has also entered into various building leases which range in terms from 5 to 20 years. Building lease expense for the year ended June 30, 2020 was approximately \$195,000.

16. TAX REVENUES ABATED

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Applications to exempt qualified property for five years are approved by the Board of Commerce and Industry. The exemption may be renewed for an additional five years.

For applications made after June 24, 2016 but before July 1, 2018, the program abates local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site for up to eight years. Applications to exempt qualified property for five years are approved by the individual local taxing entities whose taxes are being abated. The exemption may be renewed for an additional three years at 80% abatement. For the fiscal year ending June 30, 2020, approximately \$6,000,000 of the Sheriff's ad valorem tax revenues were abated by the state of Louisiana through the Louisiana Industrial Tax Exemption program.

17. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts, salaries and other payables as of June 30, 2020, were as follows:

Vendors	\$	939,776
Salaries and benefits		<u>2,709,869</u>
Total accounts payable and accrued liabilities	\$	<u>3,649,645</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 12, 2021, and determined that the following matter required additional disclosure in the financial statements. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Sheriff's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the community, employees and vendors, all of which are uncertain and cannot be predicted. As of the date of these financial statements were available to be issued, the entire extent to which the COVID-19 pandemic may impact the Sheriff's financial condition or results of operations cannot be reasonably estimated at this time.

In response to COVID-19 pandemic, the Federal Government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). As part of the CARES Act, states and localities were to receive direct payments totaling \$3 trillion. Louisiana's share totaled \$1.8 billion. The State allocated a portion of these funds to parishes and municipalities who have or will incur expenditures due to the public health emergency between the dates of March 1, 2020 and December 31, 2020. Through the date subsequent events were evaluated, the Sheriff's Office has collected \$14,518,147 in CARES Act funding, of which \$9,799,755 was recognized as revenue as of June 30, 2020. All reimbursement requests have been submitted to date.

REQUIRED
SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget Positive</u> <u>(Negative)</u>
<u>REVENUES</u>				
Ad valorem taxes	\$ 67,374,000	\$ 69,350,000	\$ 69,667,074	\$ 317,074
Intergovernmental revenues:				
Federal grants	1,720,700	2,300,000	12,965,944	10,665,944
State grants	100,000	275,000	268,080	(6,920)
State supplemental pay	3,680,000	3,525,000	3,523,621	(1,379)
State revenue sharing	692,000	692,000	691,994	(6)
Fees, charges, and commissions for services:				
Civil and criminal fees	8,284,000	7,165,500	7,454,600	289,100
Court attendance	120,000	90,000	83,538	(6,462)
Transporting prisoners	390,000	320,000	223,834	(96,166)
Feeding and keeping prisoners	9,767,000	7,713,000	7,694,859	(18,141)
Fines and forfeitures	160,000	240,000	310,969	70,969
Narcotics seizures and other	3,738,400	3,808,900	4,040,136	231,236
Interest income	640,000	461,000	578,052	117,052
Donations and miscellaneous	1,245,000	1,627,000	980,730	(646,270)
Total Revenues	<u>97,911,100</u>	<u>97,567,400</u>	<u>108,483,431</u>	<u>10,916,031</u>
<u>EXPENDITURES</u>				
Public safety:				
Personnel services and related benefits	68,845,800	70,350,800	69,238,158	1,112,642
Operating services	12,646,700	13,890,000	13,274,329	615,671
Materials and supplies	9,168,500	7,238,000	7,045,844	192,156
Travel and other charges	2,525,000	2,905,000	2,471,008	433,992
Payment on lease agreement	933,200	933,200	933,166	34
Capital outlay	3,637,000	3,603,000	3,488,194	114,806
Total Expenditures	<u>97,756,200</u>	<u>98,920,000</u>	<u>96,450,699</u>	<u>2,469,301</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	154,900	(1,352,600)	12,032,732	13,385,332
Other financing sources:				
Sale of fixed assets	100,000	120,000	132,554	12,554
Total other financing sources	<u>100,000</u>	<u>120,000</u>	<u>132,554</u>	<u>12,554</u>
NET CHANGE IN FUND BALANCE	254,900	(1,232,600)	12,165,286	13,397,886
FUND BALANCE AT BEGINNING OF YEAR	<u>22,045,798</u>	<u>22,045,798</u>	<u>22,045,798</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 22,300,698</u>	<u>\$ 20,813,198</u>	<u>\$ 34,211,084</u>	<u>\$ 13,397,886</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Reporting Date	Measurement Date	Service Cost	Interest	Difference between actual and expected experience	Changes of assumptions	Benefit Payments	Net change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Employee Payroll	Total OPEB Liability as a Percentage of Covered Employee Payroll
June 30, 2020	June 30, 2020	\$ 1,134,199	\$ 1,665,193	\$ 863,105	\$ 9,458,031	\$ (1,833,701)	\$ 11,286,827	\$ 48,493,782	\$ 59,780,609	\$ 46,724,545	127.9426%
June 30, 2019	June 30, 2019	\$ 860,214	\$ 1,744,758	\$ 89,926	\$ 1,734,362	\$ (2,039,318)	\$ 2,389,942	\$ 46,103,840	\$ 48,493,782	\$ 44,927,447	107.9380%
June 30, 2018	June 30, 2018	\$ 1,045,967	\$ 1,632,642	\$ (160,635)	\$ (1,374,096)	\$ (1,289,115)	\$ (145,237)	\$ 46,249,077	\$ 46,103,840	\$ 43,218,177	106.6770%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

There are no assets accumulated in a trust that meets the criteria of Paragraph 4 of GASB 75 for this OPEB plan.

Changes of assumptions - the discount rate as of 6/30/17 was 3.58% and it changed to 3.87% as of 6/30/18.

Changes of assumptions - from 6/30/18 to 6/30/19:

The discount rate as of 6/30/18 was 3.87% and it changed to 3.50% as of 6/30/19.

The mortality table was changed from the RP-2000 to the RP-2014.

A decline rate was established assuming 25% decline coverage at retirement and 75% decline at age 65.

Changes of assumptions - from 6/30/19 to 6/30/20:

The discount rate as of 6/30/19 was 3.50% and it changed to 2.21% as of 6/30/20.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED JUNE 30, 2020 (*)

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	6.5015%	\$ 30,753,683	\$ 45,363,200	67.7943%	88.91%
2019	6.3029%	24,169,398	43,190,541	55.9599%	90.41%
2018	6.7168%	29,085,422	46,327,147	62.7827%	88.49%
2017	6.6509%	42,212,684	45,421,234	92.9360%	82.10%
2016	6.5089%	29,013,544	43,140,239	67.2540%	86.61%
2015	6.4226%	25,433,541	40,660,119	62.5516%	87.34%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015.

(*) The amounts presented have a measurement date of June 30th of the previous year.

Changes of assumptions:

2018

- (1) The investment rate of return was changed from 7.5% to 7.25%.
- (2) The discount rate was changed from 7.4% to 7.25%.
- (3) The expected remaining service life was changed from 7 years to 6 years.

2019

- (1) The investment rate of return was changed from 7.25% to 7.10%
- (2) The discount rate was changed from 7.25% to 7.10%.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF THE EMPLOYER'S CONTRIBUTIONS TO THE
SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED JUNE 30, 2020

<u>Year</u>	<u>Contractually Required Contribution¹</u>	<u>Contributions in Relation to Contractually Required Contribution²</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll³</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 5,933,580	\$ 5,933,580	\$ -	\$ 48,437,388	12.2500%
2019	5,556,992	5,556,992	-	45,363,200	12.2500%
2018	5,506,794	5,506,794	-	43,190,541	12.7500%
2017	6,138,347	6,138,347	-	46,327,147	13.2500%
2016	6,245,425	6,245,425	-	45,421,234	13.7500%
2015	6,147,481	6,147,481	-	43,140,239	14.2500%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available beginning with FYE June 30, 2015.

For reference only:

¹ *Employer contribution rate multiplied by employer's covered payroll*

² *Actual employer contributions remitted to the Sheriff's' Pension and Relief Fund*

³ *Employer's covered payroll amount for the fiscal year ended June 30th of each year*

OTHER SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

GENERAL DESCRIPTIONS
AGENCY FUNDS
June 30, 2020

SHERIFF'S FUND

The Sheriff's Fund accounts for funds held in civil suits, sheriff's sales, and garnishments. It also accounts for collections of bonds, fines, and costs and payment of these collections to the recipients in accordance with applicable laws.

PRISON INMATE FUND

This fund accounts for deposits made by and for the inmates and for authorized withdrawals.

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 accounts for the collection and distribution of these taxes and fees to the appropriate taxing bodies.

EVIDENCE FUND

All United States currency received by the evidence section, whether considered evidence, seized funds, or found property, is to be deposited into the Evidence Fund, and maintained by the Sheriff. All found property is to be returned to its rightful owner as soon as possible after obtaining the proper release. Other money that can be specifically identified to a third party can be released upon obtaining the proper authorization and release forms.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS
June 30, 2020

	Sheriff's Fund	Prison Inmate Fund	Tax Collector Fund	Evidence Fund	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,958,540	\$ 409,797	\$ 7,367,070	\$ 1,965,757	\$ 17,701,164
Receivables	104,746	-	-	27	104,773
Total assets	<u>\$ 8,063,286</u>	<u>\$ 409,797</u>	<u>\$ 7,367,070</u>	<u>\$ 1,965,784</u>	<u>\$ 17,805,937</u>
<u>LIABILITIES</u>					
Due to taxing bodies and others:					
Due to taxing bodies	\$ -	\$ -	\$ 4,791,099	\$ -	\$ 4,791,099
Due to others	8,063,286	409,797	-	1,965,784	10,438,867
Protested taxes	-	-	2,575,971	-	2,575,971
Total Liabilities	<u>\$ 8,063,286</u>	<u>\$ 409,797</u>	<u>\$ 7,367,070</u>	<u>\$ 1,965,784</u>	<u>\$ 17,805,937</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF CHANGES IN
AMOUNTS DUE TAXING BODIES AND OTHERS - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Sheriff's Fund</u>	<u>Prison Inmate Fund</u>	<u>Tax Collector Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
<u>AMOUNTS DUE TAXING BODIES AND OTHERS JUNE 30, 2019</u>	\$ 8,965,971	\$ 332,277	\$ 13,270,139	\$ 1,272,227	\$ 23,840,614
<u>ADDITIONS</u>					
Deposits:					
Suits, successions, etc.	16,902,648	-	-	-	16,902,648
Garnishments	11,933,987	-	-	-	11,933,987
Surety bonds	786,398	-	-	-	786,398
Taxes, fees, etc. paid to tax collector	-	-	555,844,381	-	555,844,381
Interest on investments	-	-	1,996,154	-	1,996,154
Other Additions					
Prisoner deposits	-	652,021	-	-	652,021
Evidence cash received	-	-	-	885,968	885,968
Total additions	<u>29,623,033</u>	<u>652,021</u>	<u>557,840,535</u>	<u>885,968</u>	<u>589,001,557</u>
<u>REDUCTIONS</u>					
Taxes, fees, etc. distributed					
to taxing bodies and others	-	-	563,743,604	-	563,743,604
Payments to litigants, etc.	22,757,401	-	-	-	22,757,401
Fees to Sheriff and Clerk of Court	7,093,783	-	-	-	7,093,783
Surety bond refunds	674,534	-	-	-	674,534
Refunds to released inmates and					
prisoner program disbursements	-	574,501	-	-	574,501
Authorized program disbursements	-	-	-	192,411	192,411
Total reductions	<u>30,525,718</u>	<u>574,501</u>	<u>563,743,604</u>	<u>192,411</u>	<u>595,036,234</u>
Change in amounts due taxing bodies and others	<u>(902,685)</u>	<u>77,520</u>	<u>(5,903,069)</u>	<u>693,557</u>	<u>(6,034,677)</u>
<u>AMOUNTS DUE TAXING BODIES AND OTHERS JUNE 30, 2020</u>	<u>\$ 8,063,286</u>	<u>\$ 409,797</u>	<u>\$ 7,367,070</u>	<u>\$ 1,965,784</u>	<u>\$ 17,805,937</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE EAST BATON ROUGE PARISH SHERIFF
FOR THE YEAR ENDED JUNE 30, 2020

East Baton Rouge Parish Sheriff, Sid J. Gautreaux, III

<u>Purpose:</u>	<u>Amount</u>
Salary	\$ 185,656
Benefits - insurance	7,701
Benefits - retirement contribution	22,743
Benefits - medicare	2,692
Registration fees	5,730
Conference travel	592
	<u>\$ 225,114</u>

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

Honorable Sid J Gautreaux, III
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, and have issued our report thereon dated February 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriff's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 12, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Sid J Gautreaux, III
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the East Baton Rouge Parish Sheriff's (the "Sheriff") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sheriff's major federal programs for the year ended June 30, 2020. The Sheriff's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulation, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Sheriff's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sheriff's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sheriff complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Sheriff is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sheriff's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over compliance.



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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 12, 2021

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

FEDERAL DEPARTMENT/PASS-THROUGH ENTITY/PROGRAM	FEDERAL NUMBER	GRANT NUMBER	FEDERAL EXPENDITURES	AMOUNTS PROVIDED TO SUBRECIPIENTS
<u>United States Department of Justice</u>				
<u>Direct Program:</u>				
<i>Office of Justice Programs:</i>				
COPS Hiring Program	16.710	2016-UL-WX-0052	\$ 80,855	\$ -
Justice Assistance Grant 2016	16.738	2016-DJ-BX-0831	35	35
Justice Assistance Grant 2017	16.738	2017-DJ-BX-0519	76,158	76,158
Justice Assistance Grant 2018	16.738	2018-DJ-BX-0644	109,554	79,322
Justice Assistance Grant 2019	16.738	2019-DJ-BX-0482	34,121	-
Bulletproof Vest Partnership	16.607	NIJ#: BA-3A00S-XT03	111,281	-
Justice Assistance Grant CESF 2020	16.034	2020-VD-BX-0883	96,863	-
Equitable Sharing Agreement & Certification Program	16.922	N/A	560,316	-
<u>Passed Through:</u>				
Justice Assistance Grant 2018, subrecipient of District Attorney	16.738	2018-DG-BX-0008	58,000	-
DNA Capacity Enhancement & Backlog Reduction Program-LSP	16.741	2017-DN-BX-0002	414	-
DNA Capacity Enhancement & Backlog Reduction Program-LSP	16.741	2018-DN-BX-0121	2,257	-
<u>Passed Through:</u>				
<i>Louisiana Commission on Law Enforcement and Administration of Criminal Justice:</i>				
Violent Crime Task Force	16.738	2017-DJ-01 4727	5,995	2,715
Targeting Violent Criminals	16.738	2017-DJ-01 4728	8,221	-
Multi-Jurisdictional Task Force	16.738	2017-DJ-01 4702	11,100	-
Crime Victims Unit	16.575	2017-VA-01/02/03/04 4361	42,801	-
Crime Victims Unit	16.575	2018-VA-01/02/03/04 5230	47,067	-
Total United States Department of Justice			1,245,038	158,230
<u>United States Department of Transportation</u>				
<u>Passed Through:</u>				
<i>Louisiana Department of Public Safety and Corrections:</i>				
State and Community Highway Safety	20.600	1 2019-30-18	182,143	-
State and Community Highway Safety	20.600	1 2020-30-18	229,440	-
Total United States Department of Transportation			411,583	-
<u>United States Department of Homeland Security</u>				
<u>Passed Through:</u>				
<i>Governor's Office of Homeland Security & Emergency Preparedness:</i>				
High Intensity Drug Trafficking Areas Program	95.001	G19GC0001A	87,556	-
High Intensity Drug Trafficking Areas Program	95.001	G20GC0001A	7,637	-
Port Security Grant 17	97.056	EMW2017PU00601	64,000	-
Port Security Grant 19	97.056	EMW2019PU00300	58,796	-
Hurricane Barry	97.036	FEMA-DR-4458-LA	311,442	-
Total United States Department of Homeland Security			529,431	-
<u>United States Department of Housing and Urban Development</u>				
<u>Passed Through:</u>				
<i>State of Louisiana, Division of Administration:</i>				
OCD - DRU	14.228	B-16-DL-22-0001/ Year 2016	1,200,700	-
Total United States Department of Housing and Urban Development			1,200,700	-
<u>United States Department of Treasury</u>				
<u>Direct Program:</u>				
Equitable Sharing Agreement & Certification Program	21.016	N/A	278,984	-
Total United States Department of Treasury			278,984	-
Total Expenditures			\$ 3,665,736	\$ 158,230

See accompanying notes to this schedule.

1 - Highway Safety Cluster - Total \$411,583

EAST BATON ROUGE PARISH SHERIFF

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the East Baton Rouge Parish Sheriff and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – INDIRECT COST RATE

The Sheriff has not negotiated an indirect cost rate. Also, the Sheriff elected not to use the 10% de minimis cost rate as allowed by 2 CFR 200.414 Indirect (F&A) costs.

NOTE C – Reconciliation to Financial Statements

The federal grant expenditures are reported within the various expenditure categories of the general fund and are not readily distinguishable to the Schedule of Expenditures of Federal Awards. However, revenue is generally recorded for these grants in an amount equal to allowable costs incurred and therefore the following reconciliation to reported federal grant revenue is provided:

Total expenditures per SEFA	\$ 3,665,736
Revenue expended over collected for Equitable Sharing Program	(499,547)
Costs incurred and revenue recognized in the current Year for CARES Act Relief Funds but not obligated By the grantor in the current year	<u>9,799,755</u>
Federal grants revenue per financial statements	<u>\$ 12,965,944</u>

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.

The East Baton Rouge Parish Sheriff was determined to be a low-risk auditee.

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2020

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2020

February 12, 2021

The Honorable Sid Gautreaux and Management
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

We have audited the financial statements of the East Baton Rouge Parish Sheriff's Office (EBRSO or Sheriff), for the year ended June 30, 2020 and have issued our report thereon dated February 12, 2021. As part of our audit, we considered the Sheriff's internal control over financial reporting as well as compliance with the terms of applicable laws and regulations, contracts, and grant agreements that could have a material effect on the financial statements. The purpose of our consideration of internal control and compliance was to establish a basis for designing our auditing procedures, and to determine the effects of non-compliance, if any, to financial statements amounts. Our consideration was not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control or expressing an opinion on compliance.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

During the course of our audit and performing our agreed-upon procedures engagement, we became aware of matters that are opportunities to enhance certain matters in the future. Our comments are set forth below. This letter does not affect our reports dated February 12, 2021, on the financial statements of the EBRSO and the EBRSO's internal control over financial reporting.

2020-01

Information Technology

Condition:

During our review of information technology as it relates to the audit procedures performed, we noted several matters that warrant additional consideration as follows:

- 1) Certain vendors may issue Service Organization Controls reports on an annual basis. These reports document review and tests of the controls in place at the service organization by an independent third-party. The reports also outline key controls that should be in place at the customer (EBRSO) level. These reports should be obtained and reviewed by EBRSO on a regular basis in order to ensure that vendors are appropriately addressing weaknesses in their controls and that EBRSO has the appropriate controls in place to ensure the completeness and accuracy of information.
- 2) EBRSO currently maintains a Disaster Recovery Policy and Emergency Response Plan. The effective date of the policy is August 2011. Given the rapid changing nature of information technology, related policies should be reviewed and updated on a periodic basis. As this policy is approximately 10 years old EBRSO should give consideration as to whether any updates are warranted. Additionally, the policies should be reviewed to ensure they include response to cyber-attacks. Updated policies are important to ensure that the organization is addressing the risks and responses to those risks in the ever-changing information technology systems.
- 3) EBRSO currently maintains written documentation of certain policies and procedures. During our review we noted that the current policies and procedures do not address change management, password parameters, and management oversight. Consideration should be given to the current information technology policies and procedures and whether they contain documentation over applicable areas. Updated policies are important to ensure that the organization is addressing the risks and responses to those risks in the ever-changing information technology systems.
- 4) User access reviews should be performed periodically over key applications. EBRSO is performing reviews over the network, Great Plains, and TCM on a periodic basis. However, documentation of these reviews are not maintained. It is important to maintain documentation of the reviews in order to verify that they were performed, when they were performed, and that issues were resolved.
- 5) In recent years, there has been an increasing number of technology breaches accomplished by social engineering tactics. Best practices recommend that entities should put in place certain measures to educate and evaluate employee behavior in response to social engineering attacks. EBRSO represented that measures have not been implemented within the organization to date. Education of employees and evaluation of employee responses to suspicious or questionable conditions or events will help the organization prevent future attacks as attacks are often initiated through e-mail or contact directly with employees.

- 6) During the fiscal year, EBRSO reported that their website was attacked through an open Remote Desktop Protocol (RDP). The RDP was opened for vendor maintenance and not closed timely. Controls to ensure the RDP is closed is vital to prevent access by unauthorized personnel.
- 7) During the fiscal year, an employee initially took advantage of extended leave available prior to retiring. During the leave time the employee maintained access to the relevant information technology applications. Upon retirement however, access was not promptly removed. Removal of access upon termination is important to prevent unauthorized access.

Recommendation: Based on the above conditions, it is recommended that EBRSO consider:

- 1) Its IT vendor relationships and identify those that have SOC reports issued. Obtain those reports and review for control exceptions and user access controls. EBRSO should then implement controls to ensure that user access controls are addressed.
- 2) Whether it is appropriate to update its Disaster Recovery Policy and Emergency Response Plan to account for changes since the initial policies were adopted. Changes should include assessment of the risks related to cyber-attacks.
- 3) Updating its written policies and procedures to ensure they contain all applicable IT related functions. Examples include change management, password parameters, and management oversight.
- 4) Implementing documentation of its user access reviews over key applications.
- 5) Implementing measures to educate and evaluate employee responses to suspicious or questionable conditions or events as they relate to social engineering attacks and establish certain protocols in the event of an attack.
- 6) Having those charged with oversight of IT related functions implement procedures and controls to ensure that RDP's are closed timely.
- 7) Implementing procedures and controls to ensure that user access is removed upon termination.

Management Response:

EBRSO management is currently in discussion with its IT Vendor to develop more robust and comprehensive Information Technology capabilities to address the comments in this letter as well as find other opportunities to implement best practices, modernize our IT software and hardware, and continue to refine our policies and procedures.



We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience to perform any additional study of these matters, or to assist you in implementing the recommendations. We would also like to thank the Sheriff's staff for their patience and cooperation with us during the performance of the audit.

This report is intended solely for the information and use of the East Baton Rouge Parish Sheriff and its management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite & Netterville