
ANNUAL FINANCIAL REPORT
ORLEANS PARISH SHERIFF'S OFFICE
NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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Independent Auditors' Report

The Honorable Marlin N. Gusman
Orleans Parish Sheriff's Office
New Orleans, Louisiana

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Parish Sheriff's Office (the Office) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Office'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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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, each major fund, and the aggregate remaining fund information of the Orleans Parish Sheriff's Office as of December 31, 2017, 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 the management's discussion and analysis on pages iv through xvii, budgetary comparison information on pages 45 through 46, schedule of employer's contributions to the Louisiana Sheriffs' Pension and Relief Fund on page 47, schedule of proportionate share of net pension liability on page 48, and the schedule of funding progress and schedule of contributions for other post-employment benefits on page 49, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The combining and comparative financial statements and schedules and the schedule of compensation, benefits and other payments to agency head on pages 50 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 55 is 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 and comparative financial statements and schedules; the schedule of compensation, benefits and other payments to agency head; 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. Such 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 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 combining and comparative financial statements, schedule of compensation, benefits and other payments to agency head, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the 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 June 4, 2018, on our consideration of the Office'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 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 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 Office's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
June 4, 2018

REQUIRED SUPPLEMENTARY INFORMATION

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

Management's discussion and analysis of the Orleans Parish Sheriff's Office's (the Office) financial performance provides a narrative overview and analysis of the Office's financial activities for the year ended December 31, 2017. This discussion and analysis focuses on the current year's ending balances, activities, and resulting changes in comparison with the prior year's information. The Office's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

Government-Wide

The assets and deferred outflows of the Office exceeded its liabilities and deferred inflows at December 31, 2017 by \$279.5 million (presented as "net position"). Balances are comprised of the following: (1) net investment in capital assets of \$286.2 million, (2) restricted for future intergovernmental transfers of \$20.2 million, (3) restricted for debt service of \$3.6 million, (4) restricted for capital improvements \$.6 million, and (5) a deficit in unrestricted net position of \$31.1 million.

The Office's net position at December 31, 2017 decreased by \$1.5 million, or a .54% decrease over December 31, 2016. For the year ended December 31, 2017, total expenses of approximately \$87 million exceeded revenues of approximately \$85.5 million. For the year ended December 31, 2016, total expenses of \$90 million exceeded total revenues of \$85 million.

Fund Level

At December 31, 2017, the Office's governmental funds reported combined ending fund balances of \$27.2 million, a decrease of \$1.3 million from the prior year. The Debt Service Fund's fund balance decreased by \$5.3 million to a total fund balance of \$3.6 million. The General Fund's fund balance increased by \$4.1 million to a fund balance of \$2.7 million. The Capital Projects Fund's fund balance decreased by \$.1 million to \$20.8 million.

Capital Assets

Since 2004, pre-Hurricane Katrina, the Office's capital assets increased from \$56.1 million in 2004 to a high of \$328.6 million in 2015. In 2013, the new kitchen warehouse was completed and in 2015 the Orleans Justice Center (new inmate housing, intake and processing center and administrative building) was completed. Starting in 2016 the assets have started to decline with depreciation for 2016 and 2017 of \$9.1 million for each year. Consequently, capital assets have decreased to \$315.2 million.

Debt Administration

Long-term obligations excluding net pension liability of the Office decreased by \$5 million. The Office in 2017 made regularly scheduled repayments of \$5.6 million on general obligation bonds and reduced taxable certificates of deposit by \$.5 million. Other long-term liabilities increased by \$1 million.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS (continued)

Sheriff's Pension and Relief Fund

Under the GASBs 68 and 71, the Office records its proportionate share of the unfunded net pension liability and certain deferred inflows and outflows related to the Louisiana Sheriff's Pension Relief Fund (a state-wide defined benefit, cost-sharing, multiple employer plan).

Pension-related deferred outflows increased by \$7.8 million and pension-related deferred inflows increased by \$3.2 million. The Office's proportionate share of the net pension liability, determined based on actuarial calculations, decreased from \$31.7 million at December 31, 2016 to \$18.5 million at December 31, 2017. More information is included in Note 7 to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Office's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements (accrual basis), (2) fund financial statements, and (3) notes to the basic financial statements. The Office also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT WIDE FINANCIAL STATEMENTS

The Office's annual report includes two government-wide financial statements. These government-wide financial statements are designed to provide readers with a broad overview of the Office's finances, in a manner similar to a private-sector business 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 statement of net position presents information that includes all of the Office's assets and liabilities and deferred inflows and outflows, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Office as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities, which reports how the Office's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. The primary purpose of these governmental activities is the custody of inmates and the serving of citations, summonses, subpoenas, notices, and other processes for Civil and Criminal District Courts, the Courts of Appeals, and the Supreme Court. The government-wide financial statements are presented on pages 1 and 2, Exhibits "A" and "B" of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Office's most significant funds rather than the Office as a whole.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

FUND FINANCIAL STATEMENTS (continued)

The Office's funds are classified into two categories: governmental funds and fiduciary funds as follows:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is on the near-term and may be useful in the evaluation of a government's near-term financing requirements. The focus is on inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide useful insight into the long-term impact of short-term financing decisions. Reconciliations between these two perspectives are provided to facilitate this comparison. The reconciliation between the governmental funds balance sheet and the statement of net position is on page 4, Exhibit "D". The reconciliation between the governmental funds statement of revenues, expenditures, and changes in fund balances, and the statement of activities is on page 7, Exhibit "F".

The basic governmental fund financial statements are presented on pages 3 and 5-6, Exhibits "C" and "E" of this report.

Fiduciary funds are reported in the fund financial statements and report a defined contribution pension plan, and agency funds including: individual prison inmate agency accounts and civil fiduciary accounts for assets held by the Office as an agent for deposits held pending court action. Activities from fiduciary funds are not included in the government-wide financial statements because the Office cannot use these assets for its operations. The basic fiduciary fund financial statements are presented on pages 8 and 9, Exhibits "G" and "H" of this report.

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. The notes to the financial statements begin on page 10 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Office's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund and debt service fund. These schedules demonstrate compliance with the Office's adopted original and final revised budgets. Other required supplementary information includes two pension-related schedules and a funding schedule for other post-employment benefits. Required supplemental information can be found on pages 45 through 49, Schedules "A-1", "A-2", "A-3", "A-4", and "A-5" of this report. This report also includes as other supplementary information for combining statements and statements with comparative data to prior years on pages 50 through 53. Act 706 of the 2014 Louisiana Legislative Session amended R.S. 24:513A and added the state required disclosure of compensation, reimbursements, benefits and other payments to the Agency Head. This Schedule "D-1" can be found on page 54. A single audit section, which includes a Schedule of Expenditures of Federal Awards, begins on page 55.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Primary Government Totals</u>		<u>Change</u>	
	<u>Governmental Activities</u>		<u>\$</u>	<u>%</u>
	<u>2017</u>	<u>2016</u>		
Assets:				
Current and other	\$ 47,587,537	\$ 52,343,172	\$ (4,755,635)	-9.09%
Capital	315,240,203	322,769,195	(7,528,992)	-2.33%
Total	<u>362,827,740</u>	<u>375,112,367</u>	<u>(12,284,627)</u>	<u>-3.27%</u>
Deferred Outflows- pension related	<u>6,775,701</u>	<u>14,571,314</u>	<u>(7,795,613)</u>	<u>-53.50%</u>
Liabilities:				
Current	28,952,195	32,605,569	(3,653,374)	-11.20%
Long-term	35,797,491	40,755,796	(4,958,305)	-12.17%
Net pension liability	18,542,423	31,672,341	(13,129,918)	-41.46%
Total	<u>83,292,109</u>	<u>105,033,706</u>	<u>(21,741,597)</u>	<u>-20.70%</u>
Deferred Inflows-pension related	<u>6,784,340</u>	<u>3,618,151</u>	<u>3,166,189</u>	<u>87.51%</u>
Net Position:				
Net investment in capital assets	286,230,203	288,124,195	(1,893,992)	-0.66%
Restricted for:				
Debt service	3,612,550	8,923,659	(5,311,109)	-59.52%
Capital improvements	555,701	617,134	(61,433)	-9.95%
Intergovernmental transfers	20,246,886	20,263,897	(17,011)	-0.08%
Unrestricted	<u>(31,118,348)</u>	<u>(36,897,061)</u>	<u>5,778,713</u>	<u>-15.66%</u>
Total net position	<u>\$ 279,526,992</u>	<u>\$ 281,031,824</u>	<u>\$ (1,504,832)</u>	<u>-0.54%</u>

As noted above the net position of the Office decreased by approximately \$1.5 million .54% (from \$281 million to \$279.5 million).

There are several components to net position. Net investment in capital assets decreased by \$1.9 million as a result of debt retirements associated with capital assets of \$5.6 million offset by decreases in capital assets for depreciation net of additions to capital assets of \$7.5 million. Net position restricted for debt service decreased \$5.3 million since debt retirement principal and interest payments of \$6.7 million exceeded the \$1.4 million of ad valorem tax revenue dedicated to debt retirement. Net position restricted for capital improvements and intergovernmental transfers decreased \$.1 million as capital improvements were made by the Office and criminal justice agencies funded through the Orleans Parish Law Enforcement District bonds. Unrestricted net position increased from a \$36.9 million deficit to a \$31.1 million deficit.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Most of the Office's net position represents its net investment in capital assets (e.g. land, buildings and improvements, operating equipment, office furniture and equipment, vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The Office uses these capital assets to provide services to citizens and inmates; consequently, these assets are not available for future spending. Although the Office's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position includes \$3.6 million set aside to liquidate debt. There is approximately \$32.3 million of principal and interest payments due on general obligation bonds over their remaining lives.

Funds held for intergovernmental transfers (funds for other criminal justice governmental agencies for their capital improvements) had minimal change and has a balance of \$20.2 million. The Office cannot use these intergovernmental funds as they are restricted for other criminal justice governmental agencies' capital improvements. The Office has \$.6 million held for capital improvements for the Office at December 31, 2017.

Current and other assets decreased 10.4% primarily due to a \$5.3 million decrease in debt service assets. Capital assets decreased \$7.5 million due to depreciation exceeding capital outlay.

Current liabilities decreased \$3.7 million primarily for decreases in accounts payable. Long-term liabilities decreased by \$5 million in 2017 due primarily to retiring \$5.6 million under regularly scheduled principal payments for general obligation bonds. Current debt payments due in 2018 decreased by \$.3 million over 2017. Taxable certificates of indebtedness decreased \$.5 million. Other post-employment benefits and estimated claims and judgments increased \$.8 million and \$.1 million respectively for 2017.

The Office is responsible for one of the core components of the local criminal justice system, which is the operation of the Parish detention system. This responsibility includes providing for the care, custody, and control of subjects housed in detention facilities, as well as, the processing of all individuals arrested within the City of New Orleans. Additionally, the Sheriff serves as the Executive Officer for the Orleans Parish Criminal District Court and the Civil District Courts, which includes the execution of all writs, orders, and processes including warrants and subpoenas; executes writs for judicial sales and disburses monies realized in accordance with laws, mandates, orders, and judgments directed to him by the District Courts, the Courts of Appeals, and the Supreme Court; and provides security for the court system. Ancillary functions of the Office include, but are not limited to: law enforcement patrols; security services; the operation of search and rescue, mounted, K-9, motorcycle, and SWAT units; crime victim's assistance; community service programs; work release programs and day reporting.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table provides a summary of the Office's statement of activities:

	Statement of Activities			
	Governmental Activities		Change	
	2017	2016	\$	%
Revenues:				
Program:				
Charges for custody of inmates services	\$ 63,395,884	\$ 63,951,734	\$ (555,850)	-0.87%
Charges for civil division services	6,365,901	4,486,237	1,879,664	41.90%
Operating grants	4,484,176	5,209,274	(725,098)	-13.92%
Capital grants	1,170,311	1,497,074	(326,763)	-21.83%
General:				
Ad-valorem taxes	9,518,210	9,228,102	290,108	3.14%
Other	595,669	599,059	(3,390)	-0.57%
Total revenues and other	<u>85,530,151</u>	<u>84,971,480</u>	<u>558,671</u>	<u>0.66%</u>
Expenses:				
Program expenses:				
Custody of prisoners	80,710,309	82,613,257	(1,902,948)	-2.30%
Civil division	5,136,637	5,382,986	(246,349)	-4.58%
Interest	1,143,698	1,371,227	(227,529)	-16.59%
General:				
Transfers to other governmental agencies	44,339	663,005	(618,666)	-93.31%
Total expenses and other	<u>87,034,983</u>	<u>90,030,475</u>	<u>(2,995,492)</u>	<u>-3.33%</u>
Net increase (decrease)	(1,504,832)	(5,058,995)	3,554,163	-70.25%
Beginning net position	<u>281,031,824</u>	<u>286,090,819</u>	<u>(5,058,995)</u>	<u>-1.77%</u>
Ending net position	<u>\$ 279,526,992</u>	<u>\$ 281,031,824</u>	<u>\$ (1,504,832)</u>	<u>-0.54%</u>

Charges for custody of inmates, the primary funding source, had minimal change from 2016 to 2017. The Civil Division generated fees increased 41.9% as accounts were reviewed in preparation for a new accounting system to be implemented in 2018. Grants, primarily FEMA, declined as FEMA projects are completed and closed. Ad-valorem taxes increased 3% due to reassessments and better collections. The millage remained the same at 2.8 mills.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Expenses of the Office decreased due to decreases in personnel costs due to open positions not being filled. Interest expense declined as debt was retired. Transfers to other governmental agencies decreased since the requests for funds from other criminal justice agencies declined in 2017.

FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS

As noted above, the Office uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and to assist in the management of its budgetary operations.

Governmental Funds

The focus of the Office's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Office's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2017, the Office's governmental funds reported combined ending fund balances of \$27.2 million. This is a decrease of \$1.3 million or approximately a 4.4% decrease from the prior year. Unassigned fund balance increased by \$4 million from a deficit of \$1.7 million at December 31, 2016 to positive unassigned fund balance of \$2.3 million at December 31, 2017. Restricted fund balance decreased by \$5.3 million during 2017.

Major Governmental Funds

Capital projects with a restricted fund balance of \$20.8 million had no significant change. Of this capital projects fund balance, \$20.2 million is for other criminal justice agencies.

The Debt Service Fund's fund balance decreased by \$5.3 million. Ad valorem taxes of \$1.4 million (\$3.5 million for 2016) were collected for debt service. Prior to 2016, ad valorem taxes were entirely allocated to debt service. For 2017, 2.4 (1.4 for 2016) mills are for operations/General Fund and .4 (1 for 2016) mills are for debt service. In 2016, \$6.7 million was expended to pay fees and interest and to retire debt.

The General Fund is the Office's primary operating fund. The General Fund's fund balance increased by \$4.1 million in 2017 for an ending fund balance of \$2.7 million. The following schedule shows General Fund Revenues and Expenditures:

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS (continued)

Major Governmental Funds (continued)

	General Fund			
	2017	2016	\$ change	% change
REVENUES:				
City of New Orleans charges	\$ 52,490,520	\$ 52,141,308	\$ 349,212	0.67%
State of Louisiana DOC charges	2,930,638	3,006,247	(75,609)	-2.52%
Civil fees and commissions	5,549,029	3,493,844	2,055,185	58.82%
Civil security services	816,872	992,393	(175,521)	-17.69%
Investment income	44,090	9,663	34,427	356.28%
On-behalf payments	6,023,258	6,824,970	(801,712)	-11.75%
Inmate Telephone	934,431	866,128	68,303	7.89%
Release processing fees	440,221	426,817	13,404	3.14%
State supplemental pay	2,132,149	2,355,857	(223,708)	-9.50%
Federal and state grants	2,014,249	2,640,306	(626,057)	-23.71%
Restitution/administration	182,926	325,314	(142,388)	-43.77%
Commissary	393,890	360,950	32,940	9.13%
Other income	463,796	503,121	(39,325)	-7.82%
Ad valorem tax revenue	8,097,044	5,699,865	2,397,179	100.00%
Total revenues	82,513,113	79,646,783	2,866,330	3.60%
EXPENDITURES:				
Central services	11,956,778	14,680,026	(2,723,248)	-18.55%
Court services	4,418,913	4,522,442	(103,529)	-2.29%
Security services	13,660,929	15,715,156	(2,054,227)	-13.07%
Investigative services	3,336,442	3,691,363	(354,921)	-9.61%
Administrative services	6,135,905	4,909,733	1,226,172	24.97%
Records and booking	5,841,589	5,718,052	123,537	2.16%
Inmate services	19,081,205	16,244,563	2,836,642	17.46%
Grants and special programs	394,634	562,021	(167,387)	-29.78%
Plant and maintenance	6,885,485	6,021,635	863,850	14.35%
Debt retirement	3,500,000	4,000,000	(500,000)	-12.50%
Interest payments	96,566	134,330	(37,764)	-28.11%
Civil administrative services	2,981,125	2,997,241	(16,116)	-0.54%
Civil security services	1,525,364	1,626,002	(100,638)	-6.19%
Capital outlays	1,576,867	2,469,603	(892,736)	-36.15%
Total expenditures	81,391,802	83,292,167	(1,900,365)	-2.28%
Excess (deficiency) of revenues over expenditures	1,121,311	(3,645,384)	4,766,695	-130.76%
OTHER FINANCING SOURCES	3,005,231	3,164,897	(159,666)	-5.04%
Net changes in fund balances	4,126,542	(480,487)	4,607,029	-958.82%
FUND BALANCES, BEGINNING	(1,384,979)	(904,492)	(480,487)	53.12%
FUND BALANCES, ENDING	\$ 2,741,563	\$ (1,384,979)	4,126,542	-297.95%

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS (continued)

Major Governmental Funds (continued)

Revenues for the General Fund increased by 3.6% (\$2.9 million increase). This is partially attributable to a \$2.4 million increase in ad valorem tax revenues. There was no change in the overall millage but there was a greater allocation to the General Fund in 2017 and a corresponding decrease in millage for the Debt Service Fund. Civil fees and commissions increased \$2.1 million as accounts were reviewed in preparation for a new accounting system to be implemented in 2018. State supplemental pay and on-behalf payments declined due to declines in security personnel due to high turnover.

Operating expenses for the General Fund decreased \$1.9 million from \$83.3 million to \$81.4 million. Central Services had decreased costs for inmates housed outside the parish and for legal and claims costs. Inmate services had increased costs for food and medical as inmates were returned from other parishes during 2017. Administrative services increased due to increased training and human resource department expansion. When deputies are in training they are charged to administrative services instead of their functional department such as security. Security services and investigative services were down due to the training of deputies (classified to Administrative) and due to the unfilled open positions and high turnover. General Fund expenditures include a \$3.5 million debt retirement and other sources and uses includes a \$3 million debt issuance which results in a \$.5 million reduction in debt.

BUDGETARY HIGHLIGHTS

The General Fund

The number of inmates held at the detention facilities at any given time is affected by the number of arrests made by law enforcement authorities and the length of stay which is affected by sentences imposed by the courts or the ability to make bond. Other factors include that the classification of the inmate may restrict the type of bed that can be used. Another limiting factor is the staffing that is available.

The original budget for the General Fund included anticipated revenues of approximately \$92.7 million. The budget was amended to reflect a decrease to \$84.2 million. This modified budget included \$9.5 million of on behalf payments based on estimates from the City which expected increases in personnel. The on behalf over estimated revenues are offset by an equal amount of personnel expenses. Civil fees and commissions exceeded the final budget for adjustments as noted above made late in the year. The actual revenues excluding on behalf payments reported in the General fund of \$76.5 million were approximately \$1.8 million more than the amended budget (excluding on behalf payments from the City) of \$74.7 million.

During the year, the budget was amended to decrease operating expenses excluding on behalf from \$81.6 million to \$75.7 million. The largest operational cost for the Office is personnel. The 2017 budget expected increases in the number of personnel and salary increases. There were increases in salaries however turnover of personnel exceeded the new hires during 2017 resulting in unfilled positions. Personnel costs for 2017 were \$1.3 million less than 2016.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

BUDGETARY HIGHLIGHTS (continued)

The General Fund (continued)

As noted above, the budgets were amended to correspond to the return of inmates from other parishes resulting in a decrease in central services and an expected increase in security. Security services originally budgeted at \$16.7 million had a revised budget of \$17.4 million and actual costs of \$13.7 million due to unfilled positions. Inmate services originally budgeted for \$18.9 million had a revised budget of \$18.1 million and actual costs of \$19.1 million due to increases in outsourced meals and medical services due to increases in the onsite inmate population late in the year as well as a higher rate on a new medical contract. Legal and claim costs were lower than expected. Central Services originally budgeted at \$14.1 million had a revised budget of \$12.9 million and actual costs of \$12 million. The Administrative services had actual costs of \$6.1 million which is higher than budgeted due to the expansion of training and human resources.

The initial 2017 budget expected Federal and state grants of \$8.4 million. FEMA revenues are recognized on a reimbursement basis. The amended budget decreased Federal and state grant revenues to \$2.2 million, and actual federal and state grants were \$2 million. FEMA processing of requests for versions has slowed and FEMA is trying to only write versions at close out. Due to ongoing negotiations with various contractors, FEMA projects expected to be versioned were not. Revenues expected in 2017 are now expected to be realized in 2018 or later. The expected 2017 FEMA reimbursements were for both current and prior year expenditures. Since versions for prior year expenditures were not obligated by FEMA, the budget for transfers was deleted. The original budget expected a minimal decrease in fund balance. The adjusted budget reflecting reductions in revenues and expenses expected a \$2 million increase in fund balance. Actual results were a \$4.1 million increase in fund balance.

The Debt Service Fund

The 2017 budget was amended to reflect an increase in ad valorem tax revenue collections from \$1.3 million to \$1.5 million. Actual collections were \$1.4 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Office's investment in capital assets, net of accumulated depreciation, as of December 31, 2017, is \$315.2 million. Additions to capital assets, funded through FEMA, general obligation bonds and the general fund, were \$1.6 million for 2017. Reductions to capital assets were \$9.1 million of depreciation.

Under the Office's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

The following table provides a comparative summary of capital assets:

	2017	2016	Percentage change
Land	\$ 6,052,681	\$ 6,052,681	0.0%
Construction in progress	1,932,008	1,922,639	0.5%
Depreciable assets:			
Building and improvements	352,114,647	350,561,682	0.4%
Operating equipment	1,914,947	1,909,947	0.3%
Furniture and equipment	1,366,767	1,366,767	0.0%
Vehicles	6,978,008	6,988,109	-0.1%
Total depreciable assets	<u>362,374,369</u>	<u>360,826,505</u>	<u>0.4%</u>
Less accumulated depreciation	<u>55,118,855</u>	<u>46,032,630</u>	<u>19.7%</u>
Depreciable assets, net	<u>307,255,514</u>	<u>314,793,875</u>	<u>-2.4%</u>
Total assets	<u>\$ 315,240,203</u>	<u>\$ 322,769,195</u>	<u>-2.3%</u>

Long-term Obligations

At the end of the fiscal year, the Office had approximately \$44.6 million in long-term obligations as shown in the table below:

	2017	2016	Percentage change
General obligation bonds	\$ 29,010,000	\$ 34,645,000	-16.3%
Taxable Certificates of Indebtedness	3,000,000	3,500,000	-14.3%
Claims and judgments	6,521,148	6,411,141	1.7%
Accrued annual and sick leave	1,816,767	1,790,084	1.5%
Other post-employment benefits	4,269,576	3,544,571	20.5%
Total long-term obligations	<u>\$ 44,617,491</u>	<u>\$ 49,890,796</u>	<u>-10.6%</u>

In 2017, the long-term obligations of the Office decreased by \$5.3 million. The Office made regularly scheduled repayments of \$5.6 million on general obligation bonds. Taxable Certificates of Indebtedness were reduced by a payment from the General Fund of \$.5 million. Claims and judgments, an estimate of future claim payments, increased 1.7%. Accrued annual and sick leave increased 1.5%. Other post-employment benefits, primarily for hospitalization for the pre-merger Civil Division employees, increased 20.5%.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Long-term Obligations (continued)

Voters approved General Obligation bonds of \$63.2 million on October 4, 2008. These bonds were issued over several years with the final \$8.2 million of general obligation bonds issued in 2015. The Office's General Obligation bonds have a "BBB+" rating by the national rating agency, Standard & Poor's. See Notes 8, 10 and 15 to the financial statements for additional information regarding long-term obligations.

Net Pension Liability and Deferred Inflows and Outflows

On the Statement of Net Position, the Office is also showing a long-term obligation for the net pension liability totaling \$18.5 million. This is the Office's proportionate share (approximately 4.3 %) of the net pension liabilities of the Louisiana Sheriffs' Pension & Relief Fund. This is a \$13.1 million decrease in the current year due primarily to an improved net position of the plan as a result of improved investment returns in 2017 and the decrease in the Office's proportionate share from 5% in 2016 to 4.3% in 2017. Pension related deferred outflows decreased \$7.8 million to \$6.8 million due primarily to investment earnings being better than expected. Pension related deferred inflows increased \$3.2 million to \$6.8 million due primarily to the change in the Office's proportionate share. See note 7 for additional information on the pension plan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

In October 2017 the Economics & Policy Research Group, the Division of Economic Development E. J. Ourso College of Business, Louisiana State University, Baton Rouge, LA published the "The Louisiana Economic Outlook: 2018 and 2019" (LEO). For the LEO report, economic activity in the New Orleans metropolitan statistical area (MSA) includes Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. James, and St. Tammany parishes. Highlights of the report indicate that: "The New Orleans MSA is projected to be the third fastest growing MSA in the state, adding 4,600 jobs (+.8%) in 2018 and 7,600 jobs (+1.3%) in 2019". This growth is attributed to industrial projects in St. James Parish and expansion in healthcare sector, construction of the new airport and expansion of the WWII Museum.

The LSU report further states that "Katrina and Rita caused employment to fall by a remarkable 133,700 jobs or 21.8 percent. These two storms effectively drove New Orleans MSA's employment back to levels it had not seen since 1977. Three decades of employment growth were wiped out overnight." The report answers the question of "Why has the recovery rate been so slow?" Housing is a key factor because of the sheer size of the destruction, and 74% of homeowners had no flood insurance. Other factors were that the economy in New Orleans was basically flat for the six years preceding the storm, public schools in New Orleans were the worst in the state (if not the nation), the drag of the national economy, and the deteriorating crime situation in New Orleans.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

Economic Factors (continued)

Crime continues to plague New Orleans. Murder rates are just one indication that can illustrate the problem. There have been 62 murders through April of 2018 compared to 157 in 2017 year, 175 in 2016 year and 161 in 2015 year based on data compiled by the Times Picayune New Orleans Murder Map.

2018 Budget

The 2018 General Fund budget shows a decrease in fund balance of \$141,731. Operating revenues and expenditures are based on the calculations and assumption derived by the City of New Orleans.

In May 2015, the voters of the Orleans Parish Law Enforcement District (a blended component of the Office) authorized a tax not to exceed 2.8 mills on all property subject to taxation in the District, for a period of 10 years, beginning with the year 2016. The tax's purpose is to provide additional funding for the operation, maintenance and upkeep of the jails and related facilities, the District and the Office, with said millage levied each year to be reduced by the millage rate levied that year for the District's currently outstanding General Obligation Bonds. For 2017, 1.7 (2.4 and 1.4 for 2017 and 2016 respectively) mills are for operations, and 1.1 (.4 and 1 for 2017 and 2016 respectively) mills are for debt service.

Non-Civil revenues are expected to be \$76.7 million and expenditures are expected to be \$76.2 million. \$.5 million is the difference between the expected debt retirement of \$3 million and expected new debt of \$2.5 million.

Civil revenues are expected to decrease in 2018 to \$4.5 million and expenses are expected to be \$4.3 million.

FEMA cumulative total grants are expected to increase to over \$340 million (current obligated funds are \$324 million). Cumulative recognized FEMA accrual revenues are over \$320.7 million through the end of 2017. Additional FEMA revenues will be recognized as FEMA obligates the funds, and the Governor's Office of Homeland Security and Emergency Preparedness reimburses the expenditures. FEMA revenues are budgeted at \$8 million for 2017. Project worksheet versions that are necessary to request reimbursement in 2018 have not been obligated at this time. Most of these revenues will be transferred to the Capital Projects Fund to reimburse expenditures made by the Capital Projects Fund in prior years.

The Courts have an independent Financial Monitor and a Compliance Director in place to review the financial and budgetary needs of the Office in relation to the Consent Decree.

ORLEANS PARISH SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (continued)

Significant Factors

The Office had substantially all of its buildings damaged by Hurricane Katrina. Much of the rebuilding is being funded by FEMA. The ultimate funding and reimbursements by FEMA may be more or less than the amounts requested and expected by the Office due to the uncertainties involved at this time.

A consent decree was signed with the Department of Justice in 2013. The provisions of the Consent Decree require increased expenditures for personnel and other compliance matters. The funding of the Consent Decree is under continual review, analysis, and discussion.

CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Office's finances, comply with finance-related laws and regulations, and demonstrate the Office's commitment to public accountability. If you have any questions about this report or would like to request additional financial information contact the Orleans Parish Sheriff's Office, 2800 Perdido Street, New Orleans, Louisiana 70119. The financial report is also available on the Louisiana Legislative Auditor's website at www.la.la.us.

BASIC FINANCIAL STATEMENTS

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 42,238,595
Intergovernmental receivables	3,217,203
Interfund receivables	971,488
Other receivables	886,214
Prepaid expenses	27,264
Inventory	246,773
Capital assets, net of accumulated depreciation	315,240,203
Total assets	<u>362,827,740</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows amounts related to net pension liability	<u>6,775,701</u>
Total deferred outflows of resources	<u>6,775,701</u>
<u>LIABILITIES:</u>	
Accounts payable	19,805,720
Accrued interest	324,143
Interfund payables	2,332
Long-term liabilities:	
Due within one year	8,820,000
Due after one year	35,797,491
Net pension liability	18,542,423
Total liabilities	<u>83,292,109</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflow amounts related to net pension liability	<u>6,784,340</u>
Total deferred inflows of resources	<u>6,784,340</u>
<u>NET POSITION (DEFICIT):</u>	
Net investment in capital assets	286,230,203
Restricted net position:	
Debt service	3,612,550
Capital improvements, net of related debt	555,701
Intergovernmental transfers	20,246,886
Unrestricted net position	<u>(31,118,348)</u>
Total net position	<u>\$ 279,526,992</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Governmental Activities:	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Custody of inmates	\$ 80,710,309	\$ 63,395,884	\$ 4,105,229	\$ 1,170,311	\$ (12,038,885)
Civil division	5,136,637	6,365,901	378,947	-	1,608,211
Interest on long-term debt	1,143,698	-	-	-	(1,143,698)
Total governmental activities	86,990,644	69,761,785	4,484,176	1,170,311	(11,574,372)
General revenues:					
Ad valorem taxes					9,518,210
Investment income					126,642
Gain on disposal of assets					5,231
Other income					463,796
Transfers to other governmental agencies					(44,339)
Total general revenues and transfers					10,069,540
Change in net position					(1,504,832)
Net position - beginning					281,031,824
Net position - ending					\$ 279,526,992

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 13,847,821	\$ 26,416,883	\$ 1,973,891	\$ 42,238,595
Intergovernmental receivables	3,217,203	-	-	3,217,203
Interfund receivables	6,585,784	-	1,638,659	8,224,443
Other receivables	886,214	-	-	886,214
Prepaid expenses	27,264	-	-	27,264
Inventory	246,773	-	-	246,773
	<u>24,811,059</u>	<u>26,416,883</u>	<u>3,612,550</u>	<u>54,840,492</u>
Total assets	<u>\$ 24,811,059</u>	<u>\$ 26,416,883</u>	<u>\$ 3,612,550</u>	<u>\$ 54,840,492</u>
<u>LIABILITIES:</u>				
Accounts payable	\$ 19,805,720	\$ -	\$ -	\$ 19,805,720
Interfund payables	1,640,991	5,614,296	-	7,255,287
Total liabilities	<u>21,446,711</u>	<u>5,614,296</u>	<u>-</u>	<u>27,061,007</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenues	622,785	-	-	622,785
Total deferred inflows of resources	<u>622,785</u>	<u>-</u>	<u>-</u>	<u>622,785</u>
<u>FUND BALANCES:</u>				
Nonspendable amounts:				
Not in spendable form	274,037	-	-	274,037
Restricted	125,588	20,802,587	3,612,550	24,540,725
Unassigned	2,341,938	-	-	2,341,938
Total fund balance	<u>2,741,563</u>	<u>20,802,587</u>	<u>3,612,550</u>	<u>27,156,700</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 24,811,059</u>	<u>\$ 26,416,883</u>	<u>\$ 3,612,550</u>	<u>\$ 54,840,492</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total fund balances for governmental funds at December 31, 2017 \$ 27,156,700

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. Those assets consist of:

Land	6,052,681
Construction in progress	1,932,008
Buildings and improvements, net of \$45,821,851 accumulated depreciation	306,292,796
Operating equipment, net of \$1,424,490 accumulated depreciation	490,457
Office furniture and equipment, net of \$1,362,375 accumulated depreciation	4,392
Vehicles, net of \$6,510,139 accumulated depreciation	467,869
	315,240,203

Inflows of resources – Under modified accrual basis of accounting, revenues are not recognized unless they are deemed “available” to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so cumulative deferred inflows of resources must be recorded.

622,785

Deferred outflows pension related are a consumption of net assets that is applicable to a future reporting period and therefore are deferred.

6,775,701

Long-term liabilities applicable to the Office's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in government funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position.

Accrued interest on bonds and notes	(324,143)
Bonds and notes payable	(32,010,000)
Other post employment benefits accrual	(4,269,576)
Claims and judgements	(6,521,148)
Accrued annual and sick leave	(1,816,767)
Net pension liability	(18,542,423)
	(63,484,057)

Deferred inflows related to the pension plan are an acquisition of net assets that is applicable to a future reporting period and therefore are deferred.

(6,784,340)

Total net position of governmental activities at December 31, 2017 \$ 279,526,992

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects	Debt Service	Total Governmental
REVENUES:				
Custody of inmates:				
City of New Orleans charges	\$ 52,490,520	\$ -	\$ -	\$ 52,490,520
State of Louisiana Department of Corrections charges	2,930,638	-	-	2,930,638
Civil fees and commissions	5,549,029	-	-	5,549,029
Civil security services	816,872	-	-	816,872
Investment income	44,090	67,847	14,705	126,642
On-behalf payments	6,023,258	-	-	6,023,258
Inmate telephone	934,431	-	-	934,431
State supplemental pay	2,132,149	-	-	2,132,149
Federal and state grants	2,014,249	-	-	2,014,249
Restitution/administration	182,926	-	-	182,926
Release processing fees	440,221	-	-	440,221
Commissary	393,890	-	-	393,890
Other income	463,796	-	-	463,796
Ad valorem tax revenue	8,097,044	-	1,421,166	9,518,210
Total revenues	<u>82,513,113</u>	<u>67,847</u>	<u>1,435,871</u>	<u>84,016,831</u>
EXPENDITURES:				
Central services	11,956,778	-	-	11,956,778
Court services	4,418,913	-	-	4,418,913
Security services	13,660,929	-	-	13,660,929
Investigative services	3,336,442	-	-	3,336,442
Administrative services	6,135,905	-	-	6,135,905
Records and booking	5,841,589	-	-	5,841,589
Inmate services	19,081,205	-	-	19,081,205
Grants and special programs	394,634	-	-	394,634
Plant and maintenance	6,885,485	-	-	6,885,485
Miscellaneous	-	-	27,420	27,420
Debt retirement	3,500,000	-	5,635,000	9,135,000
Interest payments	96,566	-	1,084,560	1,181,126
Civil administrative services	2,981,125	-	-	2,981,125
Civil security services	1,525,364	-	-	1,525,364
Capital outlays	1,576,867	101,952	-	1,678,819
Total expenditures	<u>81,391,802</u>	<u>101,952</u>	<u>6,746,980</u>	<u>88,240,734</u>
Excess (deficiency) of revenues over expenditures	<u>1,121,311</u>	<u>(34,105)</u>	<u>(5,311,109)</u>	<u>(4,223,903)</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects	Debt Service	Total Governmental
<u>OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS:</u>				
Proceeds from note issuance	3,000,000	-	-	3,000,000
Proceeds from disposal of assets	5,231	-	-	5,231
Transfers to other governmental agencies	-	(44,339)	-	(44,339)
	<u>3,005,231</u>	<u>(44,339)</u>	<u>-</u>	<u>2,960,892</u>
Total other financing sources (uses), including transfers				
Net changes in fund balances	4,126,542	(78,444)	(5,311,109)	(1,263,011)
<u>FUND BALANCES (DEFICITS), BEGINNING</u>	<u>(1,384,979)</u>	<u>20,881,031</u>	<u>8,923,659</u>	<u>28,419,711</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 2,741,563</u>	<u>\$ 20,802,587</u>	<u>\$ 3,612,550</u>	<u>\$ 27,156,700</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Total net changes in fund balances for the year ended December 31, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balances \$ (1,263,011)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$9,124,571 exceeded assets of \$1,595,579 that were capitalized. (7,528,992)

New debt issues provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (3,000,000)

Repayments of bond principal are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the statement of net position, however, repayment of debt decreases long-term liabilities and does not affect the statement of activities. 9,135,000

Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues now available for spending were recognized in the prior year. (191,678)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when paid. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Accrued interest on bonds	37,428
Accrued other post employment benefits	(725,005)
Accrued claims and judgments	(110,007)
Accrued annual and sick leave	(26,683)
	(824,267)

In the Statement of Activities, certain pension related inflows and outflows of resources are recognized in the current year, while others are deferred. The net effect of these pension related transactions is a reconciling item. 2,168,116

Total change in net position for the year ended December 31, 2017 per Statement of Activities \$ (1,504,832)

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Pension Trust	Agency Funds
	<u> </u>	<u> </u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 11,077	\$ 3,680,464
Interfund receivables	-	2,332
Deposits	-	40,000
Investments and interest receivable	<u>1,532,017</u>	<u>-</u>
Total assets	<u>1,543,094</u>	<u>3,722,796</u>
 <u>LIABILITIES:</u>		
Due to inmates and others	27,264	2,751,308
Interfund payables	<u>-</u>	<u>971,488</u>
Total liabilities	<u>27,264</u>	<u>3,722,796</u>
 <u>NET POSITION:</u>		
Net position held in trust for pension benefits	<u>1,515,830</u>	<u>-</u>
Total net position	<u>\$ 1,543,094</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pension Trust
<u>ADDITIONS:</u>	
Employer contributions	\$ 36,796
Employee contributions	48,978
Total contributions	<u>85,774</u>
Investment income	<u>14,388</u>
Total investment income	<u>14,388</u>
Total additions	<u>100,162</u>
<u>DEDUCTIONS:</u>	
Trustee fees	16,313
Benefits paid to participants	<u>507,044</u>
Total deductions	<u>523,357</u>
Change in net position	(423,195)
<u>NET POSITION, BEGINNING</u>	<u>1,939,025</u>
<u>NET POSITION, ENDING</u>	<u>\$ 1,515,830</u>

The accompanying notes are an integral part of this financial statement.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Orleans Parish Sheriff's Office (the Office) was created by the Louisiana Constitution of 1921, Article 7, Section 89.

The Sheriff is elected by qualified electors every four years. The Sheriff is in charge of the direction and supervision of all deputy sheriffs who possess all of the powers and authority granted by law to the Sheriff.

Louisiana Revised Statute 33:1500 provided there is one sheriff for the Parish of Orleans, effective the first Monday in May 2010 following the election. The offices of the Orleans Civil and Criminal Sheriffs were consolidated and the separate offices were abolished. The Sheriff has and exercises all powers, duties, and functions of the former Civil and Criminal sheriffs of the Parish of Orleans.

Among the powers of the Sheriff are the keeping of the jails, the preservation of the peace and the apprehension of disturbers of the peace and other public offenders. The Sheriff is the executive officer of the District Courts and has the authority to serve citations, summons, subpoenas, notices and other processes, and to execute writs, mandates, orders, and judgments directed to him by the District Courts.

On July 28, 1989, the Orleans Parish Law Enforcement District (the District) was created by Act No. 20 of the 1989 Second Extraordinary Session of the Louisiana Legislature, which the Act amended Chapter 26 of Title 33 of the Louisiana Revised Statutes. The Sheriff of the Parish of Orleans is the Chief Executive Officer of the District. The purpose of the District is to provide financing for the Sheriff through the levying and collection of tax millages. The proceeds of these tax revenues may be used to fund the operations of the Sheriff's Office or fund the repayment of debt depending upon the millage amount and purpose approved in the millage election. The District is considered a blended component unit.

Basis of Presentation

The Office's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Orleans Parish Sheriff's Office is a "primary government" as defined in GASB Section 2100 since the Office is a government, created by State statute that has a separately elected governing body, is legally separate, and fiscally independent of other state or local governments. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Reporting Entity (continued)

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Orleans Parish Law Enforcement District is included (blended) within the reporting entity.

Basic Financial Statements –Government-Wide Financial Statements (GWFS)

The Office's basic financial statements include both government-wide (reporting the Office as a whole) and fund financial statements (reporting the Office's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Office's inmate custody, civil division and related general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position (Exhibit A), the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Office's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Office first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of each of the Office's functions (custody of inmates and civil division). The net costs are normally covered by general revenues (investment income, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (custody of inmates and civil division). Operating grants include operating-specific and discretionary grants, while the capital grant column reflects capital-specific grants.

The Office does not allocate indirect costs.

The effect of interfund transactions has been removed from these statements.

This government-wide focus is more on the sustainability of the Office and the change in the Office's net position resulting from current year's activities. Separate financial statements are provided for fiduciary funds; however, they are excluded from the government-wide financial statements.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Basic Financial Statements –Fund Financial Statements (FFS)

The financial transactions of the Office are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The following fund types are used by the Office:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income.

The following is a description of the major governmental funds of the Office:

General Fund

The General Fund is the primary operating fund of the Office and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Office policy. The General Fund includes grants received from the Federal Emergency Management Agency (FEMA) and other grants.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities by the District and the Office that are not financed through the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources to be used for the periodic payment of principal and interest on general long-term debt including principal, interest, and related costs of the District and the Office.

Governmental Non-Major Funds:

The Office has no non-major governmental funds.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Basic Financial Statements –Fund Financial Statements (FFS) (continued)

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Office programs. The reporting focus is on net position and changes in net position.

The following is a description of the fiduciary funds of the Office:

Pension Trust Fund

The Pension Trust Fund reports resources held in trust and the receipts, investments, and distribution of retirement contributions. The Office's Pension Trust Fund is limited to the pension benefits offered through the defined contribution pension plan.

Agency Funds

The agency funds account for assets held by the Office as an agent for outside parties including other governments, inmates and for deposits held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Revenues

Substantially all governmental fund revenues are accrued except for: revenues related to grants which are not considered available, ad valorem taxes which are not collected within 60 days of year end, and cash advances on reimbursement grants.

As discussed above, the District can levy ad valorem taxes for operations or repayment of debt. The District's debt service fund receives ad valorem/property taxes that have been levied on real and personal property in Orleans Parish, Louisiana. The taxes are collected by the City of New Orleans and then remitted to the District. The taxes are levied by the City of New Orleans on the assessed value for all real and personal property in Orleans Parish on January 1st of the assessment year based upon the assessed value as of the prior August 15th. Before the taxes can be levied, the tax rolls must be submitted to the State Tax Commission for approval. Taxes are due and payable on January 1st, the date on which an enforceable lien attaches on the property, and are delinquent on February 1st. In May of 2015, the voters of the District authorized a tax not to exceed 2.8 mills on all property subject to taxation in the District, for a period of 10 years, beginning with the year 2016, for the purpose of providing additional funding for the operation, maintenance and upkeep of the jails and related facilities of the District and the Office, with said millage levied each year to be reduced by the millage rate levied that year for the District's currently outstanding General Obligation Bonds. For 2017, 2.4 mills are levied for operations and .4 mill is levied for debt.

The Office is authorized under state law to house inmates for Municipal and State agencies. In accordance with standard operating procedures between the Office and the State agency, the Office bills the agency a per diem amount for the housing of inmates. The City of New Orleans is required under State law to provide funding for the housing of their inmates which is authorized through their budgetary process. Other revenues of the Office include ad valorem taxes, grants, inmate telephone charges, release processing fees, restitution administration fees, and a portion of bail bond fees.

The Civil division's revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

The Office's primary expenditures include salaries and related benefits. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows - Intergovernmental grant. In the General Fund, the Office records a deferred inflow for one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The source of the unavailable revenue is from intergovernmental grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. For the accrual basis Statements of Net Position and Activities these revenues are recognized.

Deferred Outflows and Deferred Inflows - Pension Related. The Orleans 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.

Budgets

The Office is required by state law to adopt annual budgets for the General Fund and Debt Service Fund. Each budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles. Budget amounts included in the accompanying financial statements reflect the originally adopted budget and all subsequent amendments.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1st, the Office prepares a budget for the next succeeding fiscal year beginning January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted, after proper official public notification, to obtain taxpayer comment.
3. Prior to December 15th, the budget is legally enacted through passage of a resolution by the Sheriff.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Cash and Cash Equivalents

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

Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Office's investment policy. Louisiana Revised Statute (R.S.) 33:2955 authorizes the Office to invest in: (1) direct obligations of the United States Treasury, the principal and interest of which are fully guaranteed by the federal government, (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, (3) direct security repurchase agreements of any federal book entry only securities, (4) time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations, (5) mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies, or (6) guaranteed investment contracts issued by a bank, financial institution, insurance company or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financial program approved by the State Bond Commission.

Investments are stated at fair value as determined by quoted market prices.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Inventories

Inventory in the General Fund consists primarily of maintenance and office supplies and uniforms and are carried at weighted average cost. The weighted average cost is recorded as expenditure at the time of consumption.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Office maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Position, and depreciation is recorded in the Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	40 years
Operating equipment	7 years
Office furniture and equipment	5 years
Vehicles	5 years

Compensated Absences

Vacation (annual leave) and sick pay (sick leave) are accrued when earned. Accumulated annual leave and sick leave as of the end of the year is valued using employees' current rates of pay, and the liability for these compensated absences is recorded as a long-term liability in the government-wide financial statements. In the governmental funds financial statements, only the current portion is accrued.

Annual leave is accumulated until the employee retires, resigns, or is terminated. Effective January 1, 2008, the maximum amount of annual leave that can be carried forward is 360 hours. Employees with more than 360 hours at January 1, 2008 can carry that amount forward, but cannot increase the amount carried forward. Sick pay accumulation is unlimited. If an employee retires, resigns or is terminated then annual leave is paid at current salary rates and sick pay in excess of 500 hours is paid for at 20% of actual accumulated hours at current salary rates. Sick pay is not paid if the employee has less than 500 hours.

Long-Term Debt and Bond Discounts/Premiums

In the government-wide fund financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are capitalized and amortized/accreted over the terms of the respective bonds using a method that approximates the effective interest method. Issuance costs are reported as expenditures.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)

Restricted Net Position – Government-Wide and Fiduciary Fund Financial Statements

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components:

Net Investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net position. Rather, that portion of debt is included in the same component of net position as the unspent proceeds.

Restricted net position – net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – consists of the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable Funds – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or citizens.

Committed Fund Balance – amounts that can be used only for specific purposes determined by a formal action by the Sheriff or resolution.

Assigned Fund Balance – amounts that are constrained by the Sheriff's intent that they will be used for specific purposes. The Sheriff is the only body authorized to assign amounts for a specific purpose and is the highest level of decision-making. Therefore, assigned amounts must be reported as committed.

Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Office considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Office also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Reimbursements made in a subsequent year are recorded as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Estimates

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

2) CASH AND CASH EQUIVALENTS

At December 31, 2017, The Office has cash and cash equivalents (book balances) as follows:

Non-interest bearing demand deposits	\$	13,630,175
Interest-bearing demand deposits		32,265,831
Cash on hand		<u>34,130</u>
Total	\$	<u>45,930,136</u>

Reconciliation to Government-Wide Statement of Net Position:

Per Government-Wide Statement of Net Position:		
Cash and cash equivalents	\$	42,238,595
Fiduciary Funds (not included in Government-Wide Financial Statements)		
Pension Trust		11,077
Agency Funds		<u>3,680,464</u>
Total	\$	<u>45,930,136</u>

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

2) CASH AND CASH EQUIVALENTS (continued)

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Office that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2017, the carrying amount of the Office's demand deposits and certificates of deposit were \$45,896,006 and the bank balances were \$49,299,886. The difference between the carrying amount and the bank balances is primarily due to outstanding checks or deposits in transit at December 31, 2017. The Office does not have any custodial credit risk at December 31, 2017.

3) INVESTMENTS

As of December 31, 2017, the Office's investment balances were as follows:

U.S. Treasury Obligations	\$	1,134,520
Federal Agency Obligations		322,609
Money Market Funds		69,974
Interest Receivable		4,914
Total	\$	1,532,017

These investments are all held by the Pension Trust fiduciary fund at December 31, 2017.

Investments are recorded at fair value in accordance with GASB Statement No. 72 - Fair Value Measurement and Application. GASB Statement No. 72 - Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the market place. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Office has the following fair value measurements by hierarchy:

	Level 1	Level 2	Level 3
U.S. Treasury Obligations	\$ 1,134,520	\$ -	\$ -
Federal Agency Obligations	322,609	-	-
Money Market	69,974	-	-
	\$ 1,527,103	\$ -	\$ -

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

3) INVESTMENTS (continued)

Level 1 investments listed in the above table are valued using prices quoted in active markets for those securities. The Office has no investments reported as Level 2 or 3.

Credit Risk

State law limits investments as described in note 1. The Office's investment policy does not further limit its investment choices. The treasury obligations are fully guaranteed by the federal government. The federal agency obligations are guaranteed by the respective agencies or U.S. government's instrumentalities. As of December 31, 2017, the Office's investments in Federal Agency Obligations were rated AAA by Moody's Investors Service. The money market funds are unrated accounts.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

As of December 31, 2017 the Office had the following investment types and maturities for investments subject to interest rate risk:

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1 – 5
U.S. Treasury Obligations	\$ 1,134,520	\$ -	\$ 1,134,520
Federal Agency Obligations	322,609	-	322,609
	<u>\$ 1,457,129</u>	<u>\$ -</u>	<u>\$ 1,457,129</u>

Concentration of Credit Risk

Excluding investments issued or guaranteed by the U.S. Government, the Office has no investments in any single organization that represent five percent or more of the Office's investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Office would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the in the Office's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the Office's name. The investments of the Office at December 31, 2017 were not subject to custodial credit risk.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

4) INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at December 31, 2017 are as follows:

Custody of Inmates			
City of New Orleans	\$	1,660,331	
State of Louisiana		744,947	
		<u>2,405,278</u>	
Grants			
FEMA Grants		811,925	
	\$	<u>3,217,203</u>	

The Office provides an allowance for uncollectible amounts that is based upon historical collection information, existing economic conditions, and other relevant information.

5) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 971,488
Agency Funds	General Fund	2,332
General Fund	Capital Projects Fund	5,614,296
Debt Service Fund	General Fund	1,638,659
		<u>\$ 8,226,775</u>

The balances result from the time lag between the dates that reimbursable expenditures occur, interfund goods and services are provided, payments to third parties are made and payments between funds are made.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

6) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2017 are as follows:

	December 31, 2016	Additions	Disposals	December 31, 2017
Capital assets not being depreciated:				
Land	\$ 6,052,681	\$ -	\$ -	\$ 6,052,681
Construction in progress	1,922,639	9,369	-	1,932,008
Total non-depreciable assets	<u>7,975,320</u>	<u>9,369</u>	<u>-</u>	<u>7,984,689</u>
Capital assets being depreciated:				
Buildings and improvements	350,561,682	1,552,965	-	352,114,647
Operating equipment	1,909,947	5,000	-	1,914,947
Office furniture and equipment	1,366,767	-	-	1,366,767
Vehicles	6,988,109	28,245	(38,346)	6,978,008
Total depreciable assets	<u>360,826,505</u>	<u>1,586,210</u>	<u>(38,346)</u>	<u>362,374,369</u>
Totals	<u>368,801,825</u>	<u>1,595,579</u>	<u>(38,346)</u>	<u>370,359,058</u>
Less accumulated depreciation:				
Buildings and improvements	37,033,349	8,788,502	-	45,821,851
Operating equipment	1,308,912	115,578	-	1,424,490
Office furniture and equipment	1,359,234	3,141	-	1,362,375
Vehicles	6,331,135	217,350	(38,346)	6,510,139
Total accumulated depreciation	<u>46,032,630</u>	<u>9,124,571</u>	<u>(38,346)</u>	<u>55,118,855</u>
Capital assets, net	<u>\$ 322,769,195</u>	<u>\$ (7,528,992)</u>	<u>\$ -</u>	<u>\$ 315,240,203</u>

Depreciation expense in the amount of \$9,124,571 was charged to custody of inmates.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS**

The Orleans Parish Sheriff's Office provides pension benefits for substantially all of its employees through a defined contribution pension plan, a defined benefit pension plan, and a deferred compensation plan. All eligible employees hired before July 1, 1997 were given the option to remain in the defined contribution pension plan or participate in a new defined benefit plan. Substantially all eligible employees hired on July 1, 1997 or thereafter, are required to participate in the new defined benefit plan. Employee participation in the deferred compensation plan is optional.

a) **Defined Contribution Pension Plan (Pension Trust – Fiduciary Fund)**

The Pension Trust is a single employer defined contribution pension plan established by the Orleans Parish Sheriff's Office. The Pension Trust provides benefits at retirement to employees of the Office who are not participants in the Louisiana Sheriffs' Pension and Relief Fund. In the defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan requires that both the employees and the Office to contribute to the plan.

The Office contributes 9% of each participating employee's wages for those who are employed on the last day of the year or who have withdrawn during the year due to a minimum required distribution, retirement, disability or death. Participating employees are required to contribute 9% of their wages. Employees may also make additional voluntary contributions to the Plan. Such additional amounts are not matched wholly or in part by the Office. The maximum contribution an employee may make, which consists of both required and voluntary amounts, is 19% of the employee's wages. Employees become partially vested in the Office's contributions (and earnings allocated to the employee's account) after completing four years of service.

The vesting percentage increases annually until the employee completes eight years of service at which time they become fully vested. Forfeitures of unvested portions are available to the Office to reduce future contributions.

The Office made contributions during the year ended December 31, 2017 of \$36,796. Forfeitures of \$28,496 in 2017 were used to pay expenses of \$16,313 and the remainder was credited to the benefit of the employer for the year ended December 31, 2017. The employees contributed to the Plan through payroll withholdings a total of \$48,978 for the year ended December 31, 2017, which represents both the required and additional voluntary contributions.

b) **Defined Benefit Pension Plan**

Effective July 1, 1997, the Office contributed to the Louisiana Sheriffs' Pension and Relief Fund (the "System"), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of sheriffs and their staffs, which is administered and controlled by a separate board of trustees.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit Pension Plan (continued)**

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. Access to the report can be found on the Louisiana Legislative Auditor's website www.la.la.gov.

Effective January 1, 2015, the Office implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB 68. These standards require the Office to record its proportional share of the pension plan's Net Pension Liability and report the following disclosures:

Plan Description:

The Louisiana Sheriff's 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 sheriffs' offices throughout the state of Louisiana, employees of the Louisiana Sheriffs' Association and the Sheriffs' Pension and Relief Fund's office as provided for in LRS 11:2171.

Members who joined the system on or before December 31, 2011, are eligible for regular retirement benefits upon attaining 30 years of creditable service at any age, or 12 years of creditable service and aged 55 years. Retirement benefit payable monthly for life, equal to three and one-third percent of his final average compensation for each year of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Active, contributing members with at least 10 years of creditable service may retire at age 60. The accrued normal retirement benefit is reduced actuarially for each month or fraction thereof that retirement begins prior to the member's earliest normal retirement date assuming continuous service.

Members who joined the system on or after January 1, 2012, who retire at or after age 62 with at least 12 years of creditable service, at or after age 60 with at least 20 years of creditable service, or at 55 with 30 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to three percent. For members with 30 or more years of service; the accrual rate is three and one-third percent. The retirement allowance is equal to the benefit accrual times the member's final average compensation each year of creditable service. In any case, the retirement benefit cannot exceed 100 percent of their final average salary. Members with 20 or more years of service may retire with a reduced retirement at age 50.

For members who joined the system on or before June 30, 2006, final average compensation is based on the average monthly earnings during the highest 36 consecutive months (60 highest consecutive months for member employed between July 1, 2006 and July 1, 2013) or joined months if service was interrupted. The earnings to be considered for each 12 month period within the 36 month (or 60 month) period shall not exceed 125% of the preceding 12 months. For members joining after July 1, 2013, final compensation is based on the average monthly earnings during the highest 60 consecutive months and the earnings to be considered for each 12 month period within the 60 months shall not exceed 115% of the preceding 12 month period.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit Pension Plan (continued)**

Plan Description (continued):

A member is eligible to receive disability benefits if the member has at least 10 years of creditable service when a non-service related disability is incurred; there are no service requirements for a service related disability. Disability benefits shall be the lesser of a sum equal to the greatest of 45% of final average compensation or the members' accrued retirement benefit at the time of termination of employment due to disability, or the retirement benefit which would be payable assuming continued service to the earliest normal retirement age. Members who become partially disabled receive 75% of the amount payable for total disability.

Survivor benefits for death solely as a result of injuries received in the line of duty are based on the following. For a spouse alone, a sum equal to 50% of the member's final average compensation with a minimum of \$150 per month. If a spouse is entitled to benefits and has a child or children under 18 years of age (or over said age if physically or mentally incapacitated and dependent upon the member at the time of his death), an additional sum of 15% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not to exceed 100%. If a member dies with no surviving spouse, surviving children under age eighteen will receive monthly benefits of 15% of the member's final average compensation up to a maximum of 60% of final average compensation if there are more than 4 children. If a member is eligible for normal retirement at the time of death, the surviving spouse receives an automatic option 2 benefit. The additional benefit payable to children shall be the same as those available for members who die in the line of duty. In lieu of receiving option 2 benefit, the surviving spouse may receive a refund of the member's accumulated contributions. All benefits payable to surviving children shall be extended through age twenty-two, if the child is a full time student in good standing enrolled at a board approved or accredited school, college, or university.

The fund does provide for deferred benefits for vested members who terminate before being eligible for retirement. Benefits become payable once the member reaches the appropriate age for retirement.

In lieu of receiving a service retirement allowance, any member of the Fund who has more than sufficient service for a regular service retirement may elect to receive a "Back-DROP" benefit. The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. For those individuals with thirty or more years, the Back-DROP period is the lesser of four years or service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement the member's maximum monthly retirement benefit is based upon his service, final average compensation and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In addition, the member's Back-DROP account will be credited with employee contributions received by the retirement fund during the Back-DROP period. Participants have the option to opt out of this program and take a distribution, if eligible, or to rollover the assets to another qualified plan.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit Pension Plan (continued)**

Plan Description (continued):

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.

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017, the actual employer contribution rate was 13.25% with an additional 0% allocated from the Funding Deposit Account.

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.

Plan members are required by state statute to contribute 10.25 percent of their annual covered salary and the Office is required to contribute at an actuarially determined rate. For the year ended June 30, 2017 the rate is 13.25 percent of annual covered payroll. Effective July 1, 2017 the rate was decreased to 12.75 percent of covered payroll. Contributions to the System also include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and funds as required and available from insurance premium taxes. The contribution requirements of plan members and the Office are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Office's contributions to the System, for the years ending December 31, 2017, 2016, and 2015, were \$3,860,617, \$4,142,653, and \$4,631,826 respectively.

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

At December 31, 2017, the Office reported a liability of \$18,542,423 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The office's proportion of the net pension liability was based on a projection of the Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Office proportion was 4.282045%, which was a decrease of 0.708166% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Sheriff recognized pension expense of \$3,392,269.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) PENSION PLANS (continued)

b) Defined Benefit Pension Plan (continued)

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

At December 31, 2017 the Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,227,805)
Changes of assumptions	3,262,635	-
Net difference between projected and actual earnings on pension plan investments	-	(266,137)
Changes in proportion	1,454,333	(3,019,836)
Difference between the Office's contributions and its proportionate share of contributions	-	(270,562)
Employer contributions subsequent to the measurement date	2,058,733	-
Total	\$ <u>6,775,701</u>	\$ <u>(6,784,340)</u>

The Office reported a total of \$2,058,733 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

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:

Year	LSRPF
2018	(732,490)
2019	1,250,156
2020	189,299
2021	(1,936,021)
2022	(403,651)
2023	(434,665)
	\$ <u>(2,067,372)</u>

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit Pension Plan (continued)**

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

Actuarial Assumptions:

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 is as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Method
Actuarial Assumptions:	
Expected Remaining Service Lives	7 years (2017 and 2016) 6 years (2015 and 2014)
Investment Rate of Return	7.5%, net of investment expense
Discount Rate	7.40%
Projected Salary Increases	5.5% (2.775% inflation, 2.725% merit)
Mortality Rates	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.
Changes in Valuation Methods and Assumptions	The discount rate used to measure pension liability was lowered from 7.5% to 7.4% and the investment rate of return was lowered from 7.6% to 7.5%.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit Pension Plan (continued)**

The mortality rate assumptions were set after reviewing an experience study performed over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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.

Estimates of arithmetic real rates of return for each major asset class based on the System's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-term Expected Real Rate of Return
Equity securities	60%	7.40%	4.40%
Bonds	25%	2.60%	0.70%
Alternative Investments	15%	4.20%	0.60%
Total	100%		5.70%
Inflation			2.60%
Expected Arithmetic Nominal Return			8.30%

Discount Rate

The discount rate used to measure the total pension liability was 7.4%. 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 the Public Retirement Systems' Actuarial Committee, taking into consideration the recommendations of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

7) **PENSION PLANS (continued)**

b) **Defined Benefit 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 Office's proportionate share of the net pension liability (NPL) using the discount rate of 7.4% as well as what the Office'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.

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
Rates	6.40%	7.40%	8.40%
Office's Share of NPL	\$38,202,291	\$18,542,423	\$2,001,332

Payables to the Pension Plan

At December 31, 2017, the Office had accrued payables to the Pension Plan of \$109,119 for the accrued payroll at December 31, 2017.

c) **Deferred Compensation Plan**

Effective September 1, 2001, the Office adopted a deferred compensation plan administered by the Louisiana Deferred Compensation Commission. The Louisiana Public Employees Deferred Compensation Plan (the "Plan") was established pursuant to IRC Section 457 and Louisiana R.S. 43:1301-1308. For 2017, the Plan allowed employees to contribute up to the lesser of \$18,000 for employees 49 years of age or younger; \$24,000 for employees 50 years of age or older (\$36,000 for those eligible for catch-up) or 100% of their salary. The Office has the option to match certain contributions but is not exercising this option currently. Employees contributed through payroll withholdings a total of \$385,886 for the year ended December 31, 2017.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

8) LONG-TERM DEBT OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
General Obligation Bonds (Series 2008): \$10,000,000 originally issued with interest rates ranging from 3.55% to 4.05%, maturing September 1, 2009 through September 1, 2018, secured by collections of ad valorem taxes.	\$ 2,000,000	\$ -	\$ (1,000,000)	\$ 1,000,000	\$ 1,000,000
General Obligation Bonds (Series 2009): \$10,000,000 originally issued with interest rates ranging from 3.35% to 3.80%, maturing September 1, 2010 through September 1, 2018, secured by collections of ad valorem taxes.	2,575,000	-	(1,260,000)	1,315,000	1,315,000
General Obligation Bonds (Series 2010): \$15,000,000 originally issued with interest rate ranging from 3.0% to 4.0%, maturing September 1, 2011 through September 1, 2024, secured by collections of ad valorem taxes.	9,680,000	-	(995,000)	8,685,000	1,050,000
General Obligation Bonds (Series 2011): \$5,000,000 originally issued with interest rate at 2.97% (interest payable beginning March 1, 2012; principal payable beginning September 1, 2012), maturing through September 1, 2026, secured by collections of ad valorem taxes.	3,550,000	-	(310,000)	3,240,000	320,000
General Obligation Bonds (Series 2012): \$5,000,000 originally issued with interest rate at 2.85% (interest payable beginning March 1, 2013; principal payable beginning September 1, 2013), maturing through September 1, 2026, secured by collections of ad valorem taxes.	3,585,000	-	(315,000)	3,270,000	325,000

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

8) LONG-TERM DEBT OBLIGATIONS (continued)

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
General Obligation Bonds (Series 2013): \$10,000,000 originally issued with interest rate at 1.95% maturing September 1, 2013 through September 1, 2022, secured by collections of ad valorem taxes.	6,560,000	-	(1,030,000)	5,530,000	1,055,000
General Obligation Bonds (Series 2015): \$8,225,000 originally issued with interest rate at 2.75% maturing September 1, 2015 through September 1, 2024, secured by collections of ad valorem taxes.	6,695,000	-	(725,000)	5,970,000	755,000
Taxable Certificates of Indebtedness (Series 2016): \$3,500,000 originally issued with interest rate at 2.75%, maturing June 30, 2017, secured by revenues of the Office.	3,500,000	-	(3,500,000)	-	-
Taxable Certificates of Indebtedness (Series 2017): \$3,000,000 originally issued with interest rate at 3.25%, maturing June 30, 2018, secured by revenues of the Office.	-	3,000,000	-	3,000,000	3,000,000
	<u>38,145,000</u>	<u>3,000,000</u>	<u>(9,135,000)</u>	<u>32,010,000</u>	<u>8,820,000</u>
Other Liabilities:					
Claims and judgments	6,411,141	1,752,569	(1,642,562)	6,521,148	-
Accrued annual and sick leave	1,790,084	2,104,477	(2,077,794)	1,816,767	-
Other post employment liabilities	3,544,571	1,052,336	(327,331)	4,269,576	-
	<u>\$ 49,890,796</u>	<u>\$ 7,909,382</u>	<u>\$ (13,182,687)</u>	<u>\$ 44,617,491</u>	<u>\$ 8,820,000</u>

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

LONG-TERM DEBT OBLIGATIONS (continued)

Following is a maturity summary of bond and note principal and interest expense:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,820,000	\$ 883,863	\$ 9,703,863
2019	3,635,000	671,314	4,306,314
2020	3,770,000	563,633	4,333,633
2021	3,915,000	451,547	4,366,547
2022	4,070,000	334,744	4,404,744
2023-2026	7,800,000	392,720	8,192,720
	<u>\$ 32,010,000</u>	<u>\$ 3,297,821</u>	<u>\$ 35,307,821</u>

Interest expense on long-term debt for the year ended December 31, 2017 was \$1,143,698.

On February 15, 2001, the District issued \$27,000,000 of General Obligation Bonds (Series 2001), for repairing, renovating, improving, and constructing facilities for the Orleans Parish Sheriff's Office, District Attorney, District Courts, Clerk of District Court, Juvenile Court, and Municipal and Traffic Court. One half, or \$13.5 million, was allocated to governmental agencies other than the Office.

The status of the funds allocated to the other agencies is as follows:

<u>Agency</u>	<u>Original Balance</u>	<u>Transferred to other Agencies</u>	<u>Estimated Interest Earned</u>	<u>Remaining Balance at December 31, 2017</u>
Orleans Parish District Attorney	\$ 2,500,000	\$ 1,334,215	\$ 425,571	\$ 1,591,356
Orleans Parish District Courts	8,500,000	3,327,768	1,446,940	6,619,172
Orleans Parish Clerk of District Courts	800,000	800,000	136,183	136,183
Orleans Parish Juvenile Courts	1,000,000	1,157,902	170,228	12,326
Orleans Parish Municipal and Traffic Courts	700,000	700,000	119,160	119,160
	<u>\$ 13,500,000</u>	<u>\$ 7,319,885</u>	<u>\$ 2,298,082</u>	<u>\$ 8,478,197</u>

On October 4, 2008, the voters of the Orleans Parish authorized the District to issue general obligation bonds not exceeding \$63,225,000 for constructing, improving, renovating and repairing jails and other facilities for the Sheriff, District Attorney, Clerk of District Court, Juvenile Court, Municipal and Traffic Court, and New Orleans Forensic Center. The 20-year bonds are payable from ad valorem taxes. There have been seven emissions of the bonds; \$10,000,000 was issued December 1, 2008, \$10,000,000 was issued March 1, 2009, \$15,000,000 was issued March 1, 2010, \$5,000,000 was issued December 2, 2011, \$5,000,000 was issued April 27, 2012, \$10,000,000 was issued June 14, 2013 and \$8,225,000 was issued January 15, 2015. Out of the \$63,225,000 issue \$22,335,000 was allocated to governmental agencies other than the Office.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

8) LONG-TERM DEBT OBLIGATIONS (continued)

The status of the funds allocated to the other agencies is as follows:

<u>Agency</u>	<u>Original Balance</u>	<u>Transferred to other Agencies</u>	<u>Estimated Interest Earned</u>	<u>Remaining Balance at December 31, 2017</u>
Orleans Parish District Attorney	\$ 3,290,000	\$ 241,466	\$ 45,074	\$ 3,093,608
New Orleans Forensic Center	5,000,000	5,000,000	68,502	68,502
Orleans Parish Clerk of Criminal District Court	2,825,000	121,650	38,704	2,742,054
Orleans Parish Juvenile Courts	3,720,000	3,720,500	50,966	50,466
Orleans Parish Municipal and Traffic Courts	7,500,000	1,788,694	102,753	5,814,059
	<u>\$ 22,335,000</u>	<u>\$ 10,872,310</u>	<u>\$ 305,999</u>	<u>\$ 11,768,689</u>

9) FUND BALANCE

Not in spendable form – This amount represents prepaid expenses and inventory.

Restricted– The general fund includes \$125,588 restricted for encumbrances. The capital projects fund includes \$555,701 restricted for capital improvements and \$20,246,886 restricted for intergovernmental transfers (see note 8). The debt service fund includes \$3,612,550 restricted for debt service.

10) RISK MANAGEMENT

The Orleans Parish Sheriff's Office manages some of its risks internally. The General Fund services claims for various risks of loss to which the Office is exposed, including general liability, property and casualty, and environmental. The Office has limited commercial insurance on some heavy equipment and buses and physical damage policies for selected vehicles. The Office has selected flood and property policies, including policies for the kitchen/warehouse, intake and processing, inmate housing, and the administrative building. The City of New Orleans provides workmen's compensation coverage.

Claims and liabilities are recorded in the Statement of Net Position when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for claims liability includes an estimate for incurred but not reported (IBNR) liabilities and also includes amounts for selected incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Attorney fees are recorded as incurred and are not included in the liability. Estimated recoveries, for example, from salvage or subrogation, are another component of the claims liability estimate.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

10) RISK MANAGEMENT (continued)

The Orleans Parish Sheriff's Office is a defendant in various lawsuits pertaining to material matters. Changes in the balances of claims liabilities were as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End</u>
2015	\$ 4,129,341	\$ 2,678,378	\$ (975,378)	\$ 5,832,341
2016	\$ 5,832,341	\$ 3,034,592	\$ (2,455,792)	\$ 6,411,141
2017	\$ 6,411,141	\$ 1,752,569	\$ (1,642,562)	\$ 6,521,148

11) ON-BEHALF PAYMENTS

In accordance with generally accepted accounting principles the accompanying basic financial statements do not include certain portions of the Office's expenses paid directly by the City of New Orleans. These expenses include building space, utilities, and gasoline.

Hospitalization premiums, unemployment benefits, workers' compensation premiums and salaries paid by the City of New Orleans on behalf of the Office totaled \$6,023,258 and are included in the accompanying financial statements as revenues and expenditures in the General Fund.

12) TAX ABATEMENTS

The Office is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"). Abatements to which the Office may be subject include those issued for property taxes under the Restoration Tax Abatement Program ("RTAP"). Under the RTAP, as authorized by Article 7, Section 21(H) of the Louisiana Constitution and Louisiana Revised Statutes 47:4311, companies that expand, restore, improve or develop an existing structure or structures in a downtown, historic, or economic development district can apply to the State Board and the local governing authority (City of New Orleans) for a property tax exemption. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon the approval of the State Board and the local governing authority. The property tax abatements have resulted in reductions of property taxes. During the year ended December 31, 2017 ad valorem taxes abated applicable to the Office totaled approximately \$154,000.

13) ECONOMIC DEPENDENCY

The Office derives a material part of its revenues for the housing of state, and municipal prisoners. These revenues are received from the City of New Orleans, and the State of Louisiana Department of Corrections. For the year ended December 31, 2017, revenues from these sources exceeded \$55 million.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

14) CONTINGENCIES

Litigation

The Office is a defendant in various lawsuits. As discussed in note 10, the Office is self-insured with respect to claims. The Office and its attorneys have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome and to provide an estimate of its exposure to potential loss. This estimate could change in the near term due to the litigation environment.

Intergovernmental Assistance

The Office participates in certain local, state and federal financial assistance programs. Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Office expects the amount, if any, to be immaterial.

The Office of Inspector General – OIG has issued reports questioning FEMA's funding of approximately \$6.3 million of costs relating to certain grants from 2005 through 2011 related to Hurricane Katrina. Of the total questioned amounts approximately \$4.9 million have been resolved and \$1.4 million is still disputed. The ultimate outcome of the remainder of the questioned costs is undetermined at this time.

On August 29, 2005, Hurricane Katrina, a major hurricane, struck southeastern Louisiana and the Mississippi and Alabama Gulf Coast. The Office incurred significant hurricane-related expenses and property losses. As of December 31, 2017, the Office has received reimbursements from the Federal Emergency Management Association (FEMA) of \$317,647,059.

Included in accounts receivable at December 31, 2017 is \$189,140 of reimbursements from FEMA which were considered available (collected within the current period or soon enough thereafter to be used to pay liabilities of the current period) and \$622,785 of additional accruals related to FEMA that were deferred at the fund level and recognized as revenue at the government-wide level. Unobligated FEMA grants, which are awaiting final approval and are expected to be reimbursed for \$1,000,261 of recorded expenditures, are not recorded in accounts receivable. Advances and receipts for unrecorded expenses of \$2,287,583 are recorded as a payable to the State of Louisiana, the pass through agency for FEMA funds. FEMA obligated grants total \$323,780,074 at December 31, 2017.

Other

A consent judgment was filed on December 12, 2012 in the United States District Court, Eastern District of Louisiana. The purpose of the agreement is to address certain alleged constitutional violations at the Orleans Parish Prison (OPP). The Office has taken steps to address the concerns at OPP. The Office has in place certain policies, practices, and procedures, and has plans to adopt certain other policies, practices, and procedures. The consent judgment contemplates that the dispute will be resolved by the continued development and implementation of these measures. The court will determine the funding needed to ensure constitutional conditions of confinement at OPP and the sources responsible for providing the funding.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

14) CONTINGENCIES (continued)

Other (continued)

In September 2013, independent monitors were appointed by the Court and the court ordered that they be funded 50% by the City and 50% by the Office.

In August 2014, the Court ordered that all acute mental health detainees be housed at the Elyn Hunt's Correctional Facility.

In June 2016 a stipulated order for appointment of an Independent Jail Compliance Director went into effect.

The Office is continuing discussions with the City, monitors, and the Court to adequately finance the Office.

15) POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits

The City of New Orleans is currently responsible for all other post-employment benefits (OPEB)'s related to the Office, other than those described below. The benefits are paid directly by the City of New Orleans. These payments are included in the on-behalf payments made to the Office by the City of New Orleans. Hospitalization includes the post-employment benefit of health insurance to prior Criminal Sheriff retirees under 65 who are a member of the Orleans Parish Sheriff's Employees Retirement Plan (defined contribution plan) with ten years of service and 55 years of age or older, or who are a member of the Louisiana Sheriffs' Pension & Relief Fund who either have 30 years of service any age; retire with 20 years of service at 50 years of age or older; retire with 12 years of service at 55 years of age or older, or retire with 10 years of service at age 60 years of age or older. For the year ending December 31, 2017 the total on-behalf payments for hospitalization paid by the City of New Orleans were \$4,213,833.

Plan Description:

Medical, dental, and life insurance benefits are provided to certain employees upon actual retirement. For only the Civil Division active and retired employees employed as of May 2, 2010, the employer pays 100% of the medical and dental coverage for this closed group (not dependents). See below for details on life insurance benefits for both the Civil and Criminal Divisions. Employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age or, age 55 and 15 years of service. For employees hired on and after January 1, 2012, the retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; or, age 60 and 20 years of service; or, age 62 and 12 years of service.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Life insurance coverage is continued to retirees by election and is based on a blended rate for active employees and retirees. The employer pays 100% of the cost of life insurance after retirement for the retiree, but it is based on the blended active/retired rate and there is thus an implied subsidy. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. In the Criminal Division, life insurance coverage is reduced to \$10,000 upon retirement. Insurance coverage amounts are reduced to 65% (75% for the Civil Division) of the original amount at age 65 and to 50% of the original amount at age 70. All of the assumptions used for the valuation of the medical benefits have been used for life insurance except for the trend assumption; zero trend was used for life insurance.

Contribution Rates:

Employees do not contribute to their post-employment benefits costs.

Fund Policy:

Until fiscal years ending in 2009, the Office recognized the cost of providing post-employment medical, dental, and life insurance benefits (employer's portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis.

Effective with fiscal years ending in 2010 and later, the Office implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions (GASB 45).

The Civil and Criminal Divisions reported separately through the fiscal year ending in 2011. Beginning with the fiscal year ending December 31, 2012, the Office recognized the cost of providing post-employment benefits on a combined basis. In 2017 and 2016, the combined portion of health care and life insurance funding cost for retired employees totaled \$327,331 and \$303,084, respectively.

Annual Required Contribution:

The Office's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

Normal Cost	\$	400,278
30-year UAAL amortization amount		715,258
Annual required contribution (ARC)	\$	<u>1,115,536</u>

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Net Post-employment Benefit Obligation:

The table below shows the Office's Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending December 31, 2017:

Beginning Net OPEB Obligation	\$ 3,544,571
Annual required contribution	1,115,536
Interest on Net OPEB Obligation	141,783
ARC Adjustment	<u>(204,983)</u>
OPEB Cost	1,052,336
Contribution	-
Current year retiree premium	<u>(327,331)</u>
Change in Net OPEB Obligation	<u>725,005</u>
 Ending Net OPEB Obligation	 \$ <u>4,269,576</u>

The following table shows the Office's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) liability.

Fiscal Year Ended December 31	Annual OPEB Cost	Annual Retiree Contribution	Percentage of Annual OPEB Costs Contributed	Increase (decrease) to Net OPEB Obligation	Net OPEB Obligation
2017	\$ 1,052,336	\$ 327,331	31.11%	\$ 725,005	\$ 4,269,576

Funded Status and Funding Progress:

In the year ending December 31, 2017, the Office made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero.

Based on the January 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2017 was \$12,863,141, which is defined as that portion, as determined by a particular actuarial cost method (the Office uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Funded Status and Funding Progress (continued):

		2017
Actuarial Accrued Liability (AAL)	\$	12,863,141
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	12,863,141
Funded Ratio (Actuarial Valuation Assets/AAL)		0.00%
Covered Payroll (active plan members)	\$	31,040,800
UAAL as a percentage of covered payroll		41.44%

Actuarial Methods and Assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding: (1) turnover rate, (2) retirement rate, (3) health care cost trend rate, (4) mortality rate, (5) discount rate (investment return assumption), and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Office and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Office and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Office and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method:

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Actuarial Value of Plan Assets:

There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45, will be used.

Turnover Rate:

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 5% in the Civil Division and 15% in the Criminal Division.

<u>Age</u>	<u>Percent Turnover Criminal Division</u>	<u>Percent Turnover Civil Division</u>
18 - 25	20.0%	9.0%
26 - 40	12.0%	7.0%
41 - 54	8.0%	5.0%
55+	6.0%	4.0%

Post-Employment Benefit Plan Eligibility Requirements:

Historically, employees have retired after age 55 and 25 years of service (Civil Division), after age 55 and 18 years of service (Criminal Division), or at 30 years of service, if sooner. We have therefore assumed that employees retire three years after those historical retirement ages as just described. The three years is to accommodate the D.R.O.P. period. Post-employment benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate):

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate:

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Mortality Rate:

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits:

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 100% of the cost of the medical benefits for the retiree only (not dependents). The medical rates provided for retirees are "unblended" as required by GASB 45 for valuation purposes.

Life insurance coverage is continued to retirees by election and is based on a blended rate for active employees and retirees. The employer pays 100% of the cost of life insurance after retirement for the retiree, but it is based on the blended active/retired rate and there is thus an implied subsidy. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. In the Criminal Division, life insurance coverage is reduced to \$10,000 upon retirement. Insurance coverage amounts are reduced to 65% (75% for the Civil Division) of the original amount at age 65 and to 50% of the original amount at age 70. All of the assumptions used for the valuation of the medical benefits have been used for life insurance except for the trend assumption; zero trend was used for life insurance.

Inflation Rate:

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases:

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases:

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

ORLEANS PARISH SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

15) POST-EMPLOYMENT BENEFITS (continued)

Other Post-Employment Benefits (continued)

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

OPEB Costs and Contributions

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
OPEB Cost	\$ 677,555	\$ 1,022,254	\$ 1,052,336
Contribution	-	-	-
Retiree premium	<u>175,812</u>	<u>303,084</u>	<u>327,331</u>
Total contribution and premium	<u>175,812</u>	<u>303,084</u>	<u>327,331</u>
Change in net OPEB obligation	<u>\$ 501,743</u>	<u>\$ 719,170</u>	<u>\$ 725,005</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	25.95%	29.65%	31.11%

16) NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board Statement issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, in June 2015. This statement will supersede GASB No. 45. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other post-employment benefits or OPEB). The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The Office is currently assessing the impact of this new pronouncement on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over (Under)
	Original	Final		
REVENUES:				
Custody of prisoners:				
City of New Orleans charges	\$ 59,871,307	\$ 52,384,339	\$ 52,490,520	\$ 106,181
State of Louisiana Department of Corrections charges	2,359,565	2,880,792	2,930,638	49,846
Civil fees and commissions	3,598,765	3,982,386	5,549,029	1,566,643
Civil security services	884,991	893,556	816,872	(76,684)
On-behalf payments	5,970,129	9,503,015	6,023,258	(3,479,757)
Other income	1,882,200	2,185,915	2,459,354	273,439
State supplemental pay	2,148,000	2,142,864	2,132,149	(10,715)
Federal and state grants	8,350,000	2,158,062	2,014,249	(143,813)
Ad vloreem tax revenue	7,680,000	8,069,957	8,097,044	27,087
	<u>92,744,957</u>	<u>84,200,886</u>	<u>82,513,113</u>	<u>(1,687,773)</u>
EXPENDITURES:				
Central services	14,104,863	12,881,752	11,956,778	(924,974)
Court services	4,470,278	4,982,279	4,418,913	(563,366)
Security services	16,678,978	17,360,590	13,660,929	(3,699,661)
Investigative services	4,187,940	3,841,580	3,336,442	(505,138)
Administrative services	5,763,777	4,451,706	6,135,905	1,684,199
Records and booking	5,777,354	6,234,834	5,841,589	(393,245)
Inmate services	18,859,196	18,081,305	19,081,205	999,900
Interest	108,778	95,715	96,566	851
Debt retirement	3,500,000	3,500,000	3,500,000	-
Grants and special programs	527,202	574,090	394,634	(179,456)
Civil administrative services	3,501,044	2,669,658	2,981,125	311,467
Civil security services	1,584,028	1,481,181	1,525,364	44,183
Plant and maintenance	5,924,730	7,480,564	6,885,485	(595,079)
Capital outlays	2,560,000	1,587,114	1,576,867	(10,247)
	<u>87,548,168</u>	<u>85,222,368</u>	<u>81,391,802</u>	<u>(3,830,566)</u>
Excess (deficiency) of revenues over expenditures	<u>5,196,789</u>	<u>(1,021,482)</u>	<u>1,121,311</u>	<u>2,142,793</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from note issuance	3,000,000	3,000,000	3,000,000	-
Proceeds from sale of assets	-	-	5,231	5,231
Transfers out	(8,250,000)	-	-	-
	<u>(5,250,000)</u>	<u>3,000,000</u>	<u>3,005,231</u>	<u>5,231</u>
Net change in fund balance	(53,211)	1,978,518	4,126,542	2,148,024
FUND BALANCES, BEGINNING	<u>53,211</u>	<u>(1,384,979)</u>	<u>(1,384,979)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 593,539</u>	<u>\$ 2,741,563</u>	<u>\$ 2,148,024</u>

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Investment income	\$ 6,000	\$ 14,726	\$ 14,705	\$ (21)
Ad valorem tax revenue	1,280,000	1,523,025	1,421,166	(101,859)
Total revenues	1,286,000	1,537,751	1,435,871	(101,880)
<u>EXPENDITURES:</u>				
Miscellaneous	-	27,070	27,420	350
Debt retirement	5,635,000	5,635,000	5,635,000	-
Interest payments	1,084,560	1,084,560	1,084,560	-
Total expenditures	6,719,560	6,746,630	6,746,980	350
Excess of expenditures over revenues	(5,433,560)	(5,208,879)	(5,311,109)	(102,230)
<u>OTHER FINANCING SOURCES:</u>				
Net change in fund balance	(4,683,560)	(5,208,879)	(5,311,109)	(102,230)
<u>FUND BALANCES, BEGINNING</u>	8,855,686	8,923,659	8,923,659	-
<u>FUND BALANCES, ENDING</u>	\$ 4,172,126	\$ 3,714,780	\$ 3,612,550	\$ (102,230)

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF THE THE EMPLOYER'S CONTRIBUTIONS
LOUISIANA SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution ¹	\$ 3,860,617	\$ 4,142,653	\$ 4,631,826	\$ 4,638,581
Contributions in Relation to Contractually Required Contribution ²	<u>3,860,617</u>	<u>4,142,653</u>	<u>4,631,826</u>	<u>4,638,581</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Employee Payroll ³	\$ 29,800,828	\$ 30,684,669	\$ 33,132,022	\$ 32,947,249
Contractually Required Contributions as a % of Covered Employee Payroll ⁴	13.25%/12.75%	13.75%/13.25%	14.25%/13.75%	13.89%/14.25%

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 December 31, 2014.

For reference only:

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

² Actual employer contributions remitted to the Sheriffs' Pension and Relief Fund

³ Employer's covered employee payroll amount for the LSPRF fiscal years ended December 31

⁴ Employer's required contribution rate for January-June/July-December

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LOUISIANA SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 (*)

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	4.2820%	4.9902%	5.0016%	4.6837%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 18,542,423	\$ 31,672,341	\$ 22,294,701	\$ 18,547,520
Employer's Covered-Employee Payroll	\$ 28,896,806	\$ 33,284,433	\$ 32,514,467	\$ 28,908,589
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	64.17%	95.16%	68.57%	64.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.49%	82.10%	86.61%	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, 2014.

* The amounts presented have a measurement date of June 30 the LSPRF fiscal year end.

ORLEANS PARISH SHERIFF'S OFFICE
GASB STATEMENT NO. 45
OTHER POST-EMPLOYMENT BENEFITS
AS OF DECEMBER 31, 2015-2017

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended December 31	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Payroll ((b-a) /c)
2015	1/1/2014	\$ -	\$ 7,287,083	\$ 7,287,083	0.0%	\$ 34,422,000	21.2%
2016	1/1/2016	-	12,368,405	12,368,405	0.0%	31,653,000	39.1%
2017	1/1/2016	-	12,863,141	12,863,141	0.0%	31,040,800	41.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended December 31	Annual Required Contributions	Amount Contributed	Percentage Contributed
2015	\$ 718,986	\$ 175,812	24.5%
2016	1,072,631	303,084	28.3%
2017	1,115,536	327,331	29.3%

OTHER SUPPLEMENTARY INFORMATION

ORLEANS PARISH SHERIFF'S OFFICE
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017

	Fines	Criminal Justice	Property Room	Cash Bonds and Fines	Civil	Total Agency
<u>ASSETS:</u>						
Cash	\$ 3,461	\$ 100	\$ 333,020	\$ 58,377	\$ 3,285,506	\$ 3,680,464
Interfund receivable	-	2,332	-	-	-	2,332
Deposits	-	-	40,000	-	-	40,000
Total assets	<u>3,461</u>	<u>2,432</u>	<u>373,020</u>	<u>58,377</u>	<u>3,285,506</u>	<u>3,722,796</u>
<u>LIABILITIES:</u>						
Due to inmates and others	2,156	2,432	340,420	12,000	2,394,300	2,751,308
Interfund payable	<u>1,305</u>	<u>-</u>	<u>32,600</u>	<u>46,377</u>	<u>891,206</u>	<u>971,488</u>
Total liabilities	<u>3,461</u>	<u>2,432</u>	<u>373,020</u>	<u>58,377</u>	<u>3,285,506</u>	<u>3,722,796</u>
<u>NET POSITION</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditor's Report.

ORLEANS PARISH SHERIFF'S OFFICE
COMPARATIVE SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Functions/Programs			
<u>Governmental activities:</u>			
Custody of inmates:			
Personnel	\$ 38,065,583	\$ 40,871,408	\$ 42,941,391
Contractual	30,220,486	29,766,841	28,195,273
Materials and supplies	3,299,669	2,826,748	4,396,332
Depreciation	9,124,571	9,148,260	5,953,136
Total custody of inmates	<u>80,710,309</u>	<u>82,613,257</u>	<u>81,486,132</u>
Civil division	5,136,637	5,382,986	5,417,614
Interest on long-term debt	<u>1,143,698</u>	<u>1,371,227</u>	<u>1,397,009</u>
 Total governmental activities	 <u>\$ 86,990,644</u>	 <u>\$ 89,367,470</u>	 <u>\$ 88,300,755</u>

See accompanying Independent Auditor's Report.

ORLEANS PARISH SHERIFF'S OFFICE
COMPARATIVE BALANCE SHEETS - GENERAL FUND
DECEMBER 31, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 13,847,821	\$ 14,051,598	\$ 18,009,638
Intergovernmental receivables	3,217,203	3,368,891	2,663,385
Interfund receivables	6,585,784	5,820,720	1,448,399
Other receivables	886,214	1,165,531	1,215,012
Prepaid expenses	27,264	15,082	-
Inventory	<u>246,773</u>	<u>238,891</u>	<u>213,853</u>
Total assets	<u>\$ 24,811,059</u>	<u>\$ 24,660,713</u>	<u>\$ 23,550,287</u>
<u>LIABILITIES:</u>			
Accounts payable	\$ 19,805,720	\$ 23,095,594	\$ 20,386,472
Interfund payables	<u>1,640,991</u>	<u>2,135,635</u>	<u>3,025,558</u>
Total liabilities	<u>21,446,711</u>	<u>25,231,229</u>	<u>23,412,030</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenues	<u>622,785</u>	<u>814,463</u>	<u>1,042,749</u>
Total deferred inflows of resources	<u>622,785</u>	<u>814,463</u>	<u>1,042,749</u>
<u>FUND BALANCES:</u>			
Nonspendable amounts:			
Not in spendable form	274,037	253,973	213,854
Restricted	125,588	100,495	96,549
Unassigned	<u>2,341,938</u>	<u>(1,739,447)</u>	<u>(1,214,895)</u>
Total fund deficit	<u>2,741,563</u>	<u>(1,384,979)</u>	<u>(904,492)</u>
Total liabilities and fund balances	<u>\$ 24,811,059</u>	<u>\$ 24,660,713</u>	<u>\$ 23,550,287</u>

See accompanying Independent Auditor's Report.

ORLEANS PARISH SHERIFF'S OFFICE
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

	2017	2016	2015
REVENUES:			
Custody of inmates:			
City of New Orleans charges	\$ 52,490,520	\$ 52,141,308	\$ 54,400,489
State of Louisiana Department of Corrections charges	2,930,638	3,006,247	5,407,073
Other charges	-	-	88,855
Civil fees and commissions	5,549,029	3,493,844	4,047,551
Civil security services	816,872	992,393	1,359,643
Investment income	44,090	9,663	4,106
On-behalf payments	6,023,258	6,824,970	5,970,868
Inmate telephone	934,431	866,128	1,217,148
State supplemental pay	2,132,149	2,355,857	2,675,341
Federal and state grants	2,014,249	2,640,306	10,260,206
Restitution/administration	182,926	325,314	501,849
Commissary	393,890	360,950	585,841
Release processing fees	440,221	426,817	487,005
Ad valorem tax revenue	8,097,044	5,699,865	-
Other income	463,796	503,121	4,021,326
	<u>82,513,113</u>	<u>79,646,783</u>	<u>91,027,301</u>
EXPENDITURES:			
Central services	11,956,778	14,680,026	12,022,324
Court services	4,418,913	4,522,442	3,284,396
Security services	13,660,929	15,715,156	18,393,164
Investigative services	3,336,442	3,691,363	3,550,551
Administrative services	6,135,905	4,909,733	4,932,244
Records and booking	5,841,589	5,718,052	5,128,920
Inmate services	19,081,205	16,244,563	19,028,819
Grants and special programs	394,634	562,021	1,443,584
Plant and maintenance	6,885,485	6,021,635	6,597,645
Debt retirement	3,500,000	4,000,000	4,500,000
Interest payments	96,566	134,330	92,469
Civil administrative services	2,981,125	2,997,241	3,139,181
Civil security services	1,525,364	1,626,002	1,920,526
Capital outlays	1,576,867	2,469,603	5,415,330
	<u>81,391,802</u>	<u>83,292,167</u>	<u>89,449,153</u>
Excess (deficiency) of revenues over expenditures	<u>1,121,311</u>	<u>(3,645,384)</u>	<u>1,578,148</u>
OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS:			
Proceeds from notes	3,000,000	3,500,000	4,000,000
Proceeds from disposal of assets	5,231	39,158	-
Transfers out	-	(374,261)	(5,647,968)
	<u>3,005,231</u>	<u>3,164,897</u>	<u>(1,647,968)</u>
Net changes in fund balances	4,126,542	(480,487)	(69,820)
FUND BALANCES, BEGINNING	<u>(1,384,979)</u>	<u>(904,492)</u>	<u>(834,672)</u>
FUND BALANCES, ENDING	<u>\$ 2,741,563</u>	<u>\$ (1,384,979)</u>	<u>\$ (904,492)</u>

See accompanying Independent Auditor's Report.

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Marlin N. Gusman, Sheriff Orleans Parish

Purpose	Amount
Salary	\$ 163,553
Expense Allowance	16,355
Benefits-insurance ¹	13,363
Benefits-retirement ²	23,357
Benefits- cell phone ³	-
Car allowance	-
Vehicle provided by government (amounts reported on W-2 adjusted for various fiscal years) ⁴	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	335
Conference travel	2,756
Continuing professional education fees	-
Housing	-
Membership dues	300
Unvouchered expenses	-
Special meals	-

1 - Health Insurance paid in kind by the City of New Orleans,
 Life Insurance paid by Orleans Parish Sheriff's Office

2 - Sheriff's Pension and Relief

3 - No amount is reported on the W-2 since the Sheriff and other
 employees pay \$5.00 per month for departmental cell phone - IRS guidelines

4 - The Sheriff is provided with a vehicle. The Sheriff and other employees provided
 with a vehicle pay \$60.00 per month for departmental vehicle - IRS guidelines

See accompanying Independent Auditor's Report

SINGLE AUDIT SECTION

ORLEANS PARISH SHERIFF'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Funding Agencies/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
<u>Pass-Through Awards:</u>			
Louisiana Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance	97.036	FEMA	\$ <u>1,111,094</u> (M)
Total U.S. Department of Homeland Security			<u>1,111,094</u>
Total Federal Awards			\$ <u><u>1,111,094</u></u>

(M) - Represents a "Major" program under the Uniform Guidance

Notes to the Schedule of Expenditures of Federal Awards

Note 1

This schedule of expenditures of federal awards includes the federal grant activity of the Orleans Parish Sheriff's Office and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Note 2

During the year ended December 31, 2017 the Orleans Parish Sheriff's Office did not elect to use the 10% de minimus cost rate as covered in Section 200.414 of the Uniform Guidance.

See Auditor's Report.

**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**

The Honorable Marlin N. Gusman
Orleans Parish Sheriff's Office:

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, each major fund, and the aggregate remaining fund information of the Orleans Parish Sheriff's Office (the Office) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated June 4, 2018.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Office'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 Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
June 4, 2018

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

The Honorable Marlin N. Gusman
Orleans Parish Sheriff's Office:

Report on Compliance for Each Major Federal Program

We have audited the Orleans Parish Sheriff's Office's (the Office) 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 Office's major federal programs for the year ended December 31, 2017. The Office'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Office'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 (CFR) 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 Office'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 Office's compliance.

Opinion on Each Major Federal Program

In our opinion, the Office 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of the Office 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 Office'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Office'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
June 4, 2018

ORLEANS PARISH SHERIFF'S OFFICE

Schedule of Findings and Questioned Costs

Year ended December 31, 2017

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: unmodified opinion
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: none reported
- (c) Noncompliance which is material to the financial statements: none reported
- (d) Significant deficiencies in internal control over major program: none reported; Material weaknesses: none reported
- (e) The type of report issued on compliance for major program: unmodified opinion
- (f) Any audit findings which are required to be reported under 2 CFR Section 200.516(a): none reported
- (g) Major programs:
 - United States Department of Homeland Security – Disaster Grants
 - CFDA No. 97.036 Public Assistance
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- (i) Auditee qualified as a low-risk auditee: yes

(1) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: none

(2) Findings and Questioned Costs relating to Federal Awards: none reported

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Marlin N. Gusman and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Orleans Parish Sheriff's Office (the Office or OPSO) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Office's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Office's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Office does not have any written policies and procedures), as applicable:

- a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

We performed the procedures above and noted no exceptions.

- b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We performed the procedures above and noted the following exception:

- No written policy on (2) how vendors are added to the vendor list.

- c) *Disbursements*, including initiating, reviewing, and approving

We performed the procedures above and noted the following exception:

- No written policy on initiating, reviewing, and approving.

- d) *Receipts*, including receiving, recording, and preparing deposits

We performed the procedures above and noted no exceptions.

Written Policies and Procedures (continued)

- e) *Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.*

We performed the procedures above and noted no exceptions.

- f) *Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process*

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, or (5) monitoring process.**

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage*

We performed the procedures above and noted the following exception:

- **No written policies regarding (1) how cards are to be controlled, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.**

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

We performed the procedures above and noted no exceptions.

- i) *Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Office's ethics policy.*

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Office's ethics policy.**

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

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.**

Written Policies and Procedures (continued)

Management's response:

1b) Purchasing; 1c) Disbursements; 1f) Contracting; 1g) Credit Cards; 1i) Ethics; 1j) Debt Service: The Orleans Parish Sheriff's Office will continue to review and refine its policies and procedures over all accounting and finance functions. The comments noted will be evaluated. Policies and procedures will be documented in writing when deemed appropriate and practicable. Louisiana Legislative Auditor's Best Practices will be utilized in our review.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

We noted that there is no board or finance committee in place, nor is one required to be in place, for the Orleans Parish Sheriff's Office; therefore, the above procedure is not applicable.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Office's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We noted that there is no board or finance committee in place, nor is one required to be in place, for the Orleans Parish Sheriff's Office; therefore, the above procedure is not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We noted that there is no board or finance committee in place, nor is one required to be in place, for the Orleans Parish Sheriff's Office; therefore, the above procedure is not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

4. Using the listing provided by management, select all of the Office's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We performed the procedures above and noted no exceptions.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We performed the procedures above and noted the following exceptions:

- **Of the 172 bank reconciliations that we tested, 1 bank reconciliation did not show evidence of being reviewed by management.**

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We performed the procedures above and noted the following exceptions:

- **Of the 15 bank reconciliations tested, 6 bank reconciliations, as of end of the fiscal period, had reconciling items that were outstanding for more than 6 months. Of the 6 bank reconciliations which had reconciling items greater than 6 months, 6 did not have written evidence of management researching the reconciling items.**

Management's response:

4b) Review of bank reconciliations: *The Orleans Parish Sheriff's Office will continue to review bank reconciliations for all accounts and will document this review in writing.*

4c) Reconciling of outstanding items for more than 6 months: *The Orleans Parish Sheriff Office has started a review of old outstanding checks. The first priority is to review 2018 checks and resolve them before they exceed six months. The next priority will be larger dollar and more recent checks.*

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

6. Using the listing provided by management, select all of the Office's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We performed the procedures above and noted no exceptions.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Office has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We performed the procedures above and noted no exceptions.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Office collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We performed the procedures above and noted the following exception:

- Of the two cash collection locations tested, two cash collection locations did not make deposits within one day of collection. The number of days from the receipt to deposit for the cash collection location Accounting – Civil Division ranged from 1-16 days for the week of 2/26/2017 – 3/4/2017. The number of days from receipt to deposit for the cash collection location Accounting – Criminal Division ranged from 4 to 10 days for the week of 3/19/2017 – 3/25/2017.

Collections (continued)

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Office has a process specifically defined (identified as such by the Office) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

We performed the procedures above and noted no exceptions.

Management's response:

6c) Deposit of cash collections: The Orleans Parish Sheriff's Office uses electronic deposit of checks and usually has these deposited within one day of collection. Due to limited staffing and the recounting and verification processes one day is not always feasible. The Sheriff's Office will remind and monitor the staff that is responsible that all checks should be deposited on a timely basis.

The Orleans Parish Sheriff's Office does not have large amounts of cash but does have daily collections. This cash is counted and reconciled daily and put into a vault on site. The Orleans Parish Sheriff's Office is aware that this cash is not deposited daily and deems it more efficient and effective to deposit this cash less frequently on a random basis. The Orleans Parish Sheriff's Office will monitor this process to be sure that excessive cash is not held for long periods of time.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of Office disbursements from management or, alternately, obtain the general ledger and sort/filter for Office disbursements. Obtain management's representation that the listing or general ledger population is complete.

We performed the procedures above and noted no exceptions.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the Office had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)
(continued)

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

We performed the procedures above and noted no exceptions.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

We performed the procedures above and noted no exceptions.

- c) Payments for purchases were not processed without a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

We performed the procedures above and noted no exceptions.

10. Using Office documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Office's purchasing/disbursement system.

We performed the procedures above and noted no exceptions.

11. Using Office documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We performed the procedures above and noted no exceptions.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect Office documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We performed the procedures above and noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

We noted that the Office uses both a signature stamp and electronically printed signatures. A unique code is required for the signature stamp, and a username and password is required for those with access to electronically sign checks. No exceptions were noted.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the Office has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

We observed documentation of the electronic approval of the two monthly statements selected for testing by someone other than the authorized card holder. No exceptions noted.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

We performed the procedures above and noted the following exceptions:

- **One of the two credit card statements selected reported both finance charges and late fees for the month selected.**

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

We performed the procedures above and noted the following exceptions:

- **Of the 15 transactions tested, 3 items totaling \$91.36 were not supported by an itemized receipt.**

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

We performed the procedures above and noted the following exceptions:

- **Of the 15 transactions tested, 1 item for \$49.95 did not have separate written documentation supporting business/public purpose.**

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

We noted that there is no other documentation that is required by written policy; therefore, this is not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Office's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We performed the procedures above and noted no exceptions.

- c) For each transaction, compare the Office's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted the following exceptions:

- **Of the 15 transactions tested, 1 item for \$49.95 did not have separate written documentation supporting business/public purpose.**

Management's response:

15b) Finance and late fees: Due to limitations in staffing and funding and since the review and approval of credit cards process has multiple steps, the review and payment of credit cards was not completed in time to prevent finance charges and late fees. The Orleans Parish Sheriff's Office will review and modify the steps necessary for timelier processing.

16a) and 16c) Supporting Documentation and Documentation of Business/Public Purpose: The three items that did not have a receipt were (1 & 2) a taxi and a shuttle to and from the airport on a documented business trip and (3) a service agreement for the mobile unit's fax line which is an automatic monthly deduction. The 1 item that did not have documentation of public/business purpose was the service agreement for the mobile unit's fax line. The Orleans Parish Sheriff's Office believes that no receipt was necessary for the mobile unit fax line since these are pre-approved transactions for which the business purpose is self-evident.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

18. Obtain the Office's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Office does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We performed the procedures above and noted no exceptions.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.

We performed the procedures above and noted no exceptions.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

We performed the procedures above and noted no exceptions.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We performed the procedures above and noted no exceptions.

Travel and Expense Reimbursement (continued)

- c) Compare the Office's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We performed the procedures above and noted no exceptions.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

Of the five contracts selected, one of the contracts was subject to the Louisiana Public Bid Law or Procurement Code.

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Office complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

We performed the procedures above and noted no exceptions.

Contracts (continued)

- If no, obtain supporting contract documentation and report whether the Office solicited quotes as a best practice.

We performed the procedures above, obtained supporting contract documentation, and noted no exceptions.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

One of the contracts selected for testing was amended. The scope was expanded for changes in circumstances and the contract time was extended. The original contract contemplated and provided for written amendment. We noted no exceptions.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We performed the procedures above and noted no exceptions.

- e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

We noted that the above procedure is not applicable.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We performed the procedures above and noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We performed the procedures above and noted no exceptions.

- 23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the Office had less than 25 employees during the fiscal period), and:

Payroll and Personnel (continued)

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We performed the procedures above and noted no exceptions.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

We performed the procedures above and noted no exceptions.

- c) Report whether there is written documentation that the Office maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We performed the procedures above and noted no exceptions.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We performed the procedures above and noted no exceptions.

Ethics

26. Using the five selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Office maintained documentation to demonstrate that required ethics training was completed.

We performed the procedures above and noted the following exception:

- **Of the 5 selected employees/officials, we were unable to obtain ethics compliance documentation from management for 2 of the selected employees/officials.**

27. Inquire of management whether any alleged ethics violations were reported to the Office during the fiscal period. If applicable, inspect documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Office's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

We performed the procedures above and noted no exceptions.

Management's response:

26) Documentation of ethics compliance: The Orleans Parish Sheriff's Office requires all employees to complete the ethics training. A new employee will take this training as part of his Pre-service Academy training. Annually everyone employed at OPSO is required to take the course online through an on line training portal. Emails are sent at the beginning of the year, and periodically throughout the year to remind employees to complete the course. Certificates are sent to training who enters the information in a control list. During 2017, a new Human Resources Director changed the policy and directed employees to send their certificate to human resources. Due to this change and the resulting confusion the training department did not know who had not completed the course. For 2018 certificates are again being sent to Training for entry into a control system.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the Office, and report whether State Bond Commission approval was obtained.

We performed the procedures above and noted no exceptions.

29. If the Office had outstanding debt during the fiscal period, obtain supporting documentation from the Office and report whether the Office made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

We performed the procedures above and noted no exceptions.

30. If the Office had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

We performed the procedures above and noted no exceptions.

Other

31. Inquire of management whether the Office had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the Office reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Office is domiciled.

No misappropriations of public funds or assets.

32. Observe and report whether the Office has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted that the notice required by R.S. 24:523.1 is posted on the premise of the main campus as well as on the intranet available to OPSO employees.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We performed the procedures above and noted no exceptions.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Postlethwaite & Netterville

New Orleans, Louisiana
June 4, 2018