

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff as of June 30, 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 management's discussion and analysis, the budgetary comparison information, the Schedule of Funding Progress and Schedule of Employer



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Contributions for the Sheriff's Other Post-Employment Benefits, the Schedule of Proportionate Share of Net Pension Liability – Sheriffs' Pension and Relief Fund, and the Schedule of the Employer's Contributions of the Sheriff's Pension and Relief Fund, presented on pages 3 through 8, 32 through 33, page 34, page 35, and page 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. The Combining Schedule of Fiduciary Assets and Liabilities, the Combining Schedule of Changes in Amount Due Taxing Bodies and Others, and the Schedule of Compensation, Benefits, and Other Payments to the East Baton Rouge Parish Sheriff, presented on page 38, page 39, and page 40, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 44 is also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2017 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

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Baton Rouge, Louisiana
December 12, 2017

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

This section of the East Baton Rouge Parish Sheriff's (the Sheriff's) annual financial report provides our narrative discussion and analysis of the financial activities of the Sheriff for the fiscal years ended June 30, 2017 and 2016. The Sheriff's financial performance is discussed and analyzed within the context of the financial statements and disclosures, which follow this section.

Financial Highlights

- The Sheriff's net position reflects a deficit of approximately \$25.7 million for the fiscal year ended June 30, 2017 compared to the deficit of approximately \$23.6 million for fiscal year ended June 30, 2016. This deficit net position reflects the adoption of new accounting standards during the year ended June 30, 2015 as described in note 7 to the financial statements requiring the Sheriff to record his proportionate share of net pension liabilities for defined benefit pension plans in which his office participates.
- Total expenses of approximately \$93.7 million exceeded total revenues of approximately \$91.5 million, resulting in a decrease in the net position of approximately \$2.2 million for the year ended June 30, 2017. For the year ended June 30, 2016, total expenses of \$91.8 million exceeded total revenues of \$90.4 million, resulting in a decrease in net position of approximately \$1.4 million for that year.
- The Sheriff's governmental funds contained total ending fund balances of approximately \$14.8 million and \$17.4 million as of June 30, 2017 and 2016, respectively. This level of fund balance provides a reasonably adequate level of operating reserves for the near-term; however, further depletion of fund balance may impede the Sheriff's ability to respond to disruptions and emergencies, and maintain current levels of operation.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$13.3 million and \$12.5 million for the years ended June 30, 2017 and 2016, respectively. This investment in capital assets includes property and equipment net of accumulated depreciation and debt.
 - (2) Restricted net position of \$0.4 million and \$0.3 million for the years ended June 30, 2017 and 2016, respectively. These assets (net of liabilities to be paid from those assets) consist primarily of seized assets or other accounts whose use is restricted by statute.
 - (3) Unrestricted net position deficit of \$39 million and 36 million for the years ended June 30, 2017 and 2016, respectively.

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

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Sheriff's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Sheriff also includes information in this report to supplement the basic financial statements

Government-wide Financial Statements

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

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

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

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

Fund Financial Statements

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

The Sheriff uses governmental funds and fiduciary funds as follows:

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

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

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

Notes to the basic financial statements

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Other information

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

Financial Analysis

The Sheriff's net position deficit was \$25,742,807 and \$23,567,216 at June 30, 2017 and 2016, respectively. The following table provides a summary of the Sheriff's net position:

Summary Statement of Net Position

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|----------------------------------|------------------------------------|------------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
| Assets: | | |
| Current assets | \$ 19,265,352 | \$ 20,522,554 |
| Capital assets | <u>13,299,937</u> | <u>12,474,542</u> |
| Total assets | <u>32,565,289</u> | <u>32,997,096</u> |
| Deferred Outflows of Resources | <u>21,192,933</u> | <u>8,306,808</u> |
| Liabilities: | | |
| Current liabilities | 10,109,158 | 7,069,739 |
| Long-term liabilities | <u>64,812,604</u> | <u>50,818,454</u> |
| Total liabilities | <u>74,921,762</u> | <u>57,888,193</u> |
| Deferred Inflows of Resources | <u>4,579,267</u> | <u>6,982,927</u> |
| Net position (deficit): | | |
| Net investment in capital assets | 13,299,937 | 12,474,542 |
| Restricted | 405,054 | 328,056 |
| Unrestricted | <u>(39,447,798)</u> | <u>(36,369,814)</u> |
| Total net position | <u>(\$ 25,742,807)</u> | <u>(\$ 23,567,216)</u> |

The Sheriff had \$13,299,937 and \$12,474,542 invested in capital assets at June 30, 2017 and 2016, respectively, consisting primarily of law enforcement and telecommunications equipment and vehicles. The unrestricted net deficit reflects liabilities incurred in excess of non-capital assets available to satisfy those liabilities.

Long-term liabilities consisting primarily of the net other post-employment benefit obligation, compensated absences payable, and the net pension liability were \$64,812,604 versus \$50,818,454 at June 30, 2017 and 2016, respectively. The change is primarily the result of the increase in the net pension liability, liability for potential claims and automobile accidents, and the liability for other post-employment benefit obligations.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

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

| Summary Statement of Activities | | |
|--|------------------------------------|------------------------------------|
| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
| Revenues: | | |
| Program: | | |
| Fees, charges and commissions for services | \$ 20,654,735 | \$ 23,080,300 |
| Operating grants and contributions | <u>4,481,055</u> | <u>1,607,013</u> |
| | <u>25,135,790</u> | <u>24,687,313</u> |
| General: | | |
| Ad valorem taxes | 60,846,610 | 60,478,897 |
| Grants not restricted to specific programs | 4,334,683 | 4,319,910 |
| Interest income | 383,780 | 242,165 |
| Miscellaneous | <u>752,350</u> | <u>698,825</u> |
| Total revenues | <u>91,453,213</u> | <u>90,427,110</u> |
| Expenses: | | |
| Public safety: | | |
| Personnel services and benefits | 67,330,055 | 62,060,884 |
| Operating services | 15,580,969 | 14,378,925 |
| Materials and supplies | 8,459,257 | 13,345,057 |
| Transporting and other charges | <u>2,258,523</u> | <u>1,995,116</u> |
| Total expenses | <u>93,628,804</u> | <u>91,779,982</u> |
| Change in net position | (2,175,591) | (1,352,872) |
| Beginning net position | (<u>23,567,216</u>) | (<u>22,214,344</u>) |
| Ending net position | (\$ <u>25,742,807</u>) | (\$ <u>23,567,216</u>) |

REVENUES

Ad-valorem taxes funded approximately 67% of the Sheriff's operations for the years ended June 30, 2017 and 2016. Ad-valorem taxes in terms of dollars, increased \$367,713 or .6%. Program revenues consist of fees, charges and commissions for services as well as operating grants and contributions. Program revenues from fees, charges, commissions for services funded 23% and 26% of operations for the years ended June 30, 2017 and 2016, respectively. Those revenues decreased approximately \$2.4 million or 11% as a result of lower revenues collected from the City-Parish government for feeding and housing prisoners. The lower revenues reflected the lower costs borne by the Sheriff for that purpose. Operating grants and contributions funded 5% and 2% of operations for the years ended June 30, 2017 and 2016, respectively. Those revenues increased approximately \$2.9 million due to federal assistance for disaster relief to cover costs incurred as a result of the floods of August 2016.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

EXPENSES

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

Personnel expenses increased \$5,269,171 or 8%. The increased personnel expenses are attributable to catastrophic flooding which occurred during August 2016 and other emergency law enforcement activities which required significant overtime wages. Pension expenses increased as well due to recognition of higher costs of the Sheriff's Pension and Relief Fund. Operating service expenses increased \$1,202,044 or 8%. The increased operating services expenses are attributable to increased vehicle insurance costs, vehicle rent expenses and professional services. The increased costs in professional services were primarily attributable to additional health claims administration charges. Expenses for materials and supplies decreased \$4,885,800 or 37%. The decreased materials and supplies expenses are attributable to the purchase of upgraded radios and equipment in fiscal year 2016 which did not occur in 2017 and less prisoner maintenance costs.

Financial Analysis of the Sheriff's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$14,819,360 and \$17,363,552 at June 30, 2017 and 2016, respectively. The fund balance as of June 30, 2017 represents approximately 16% of annual expenditures. This level of fund balance is necessary to allow the Sheriff to sustain operations during periods of decreased revenues without having to obtain significant short or long-term borrowings. The Sheriff's management team is monitoring the fund balance level to ensure it is maintained at an adequate level.

Budgetary Highlights

The General Fund — The original budget for the General Fund included anticipated revenues of approximately \$93.8 million and \$89.3 million for the years ended June 30, 2017 and 2016, respectively, an increase of approximately \$4.5 million from 2016 to 2017. For the fiscal year ended June 30, 2017, the budget was amended to reflect net changes among various revenue accounts for a decrease totaling approximately \$2.9 million. This budget reduction is attributable to lower Ad-valorem tax revenue because of reduced tax assessments on properties affected by the August 2016 floods in accordance with state law. The total actual revenues of \$91 million, as reported in the General Fund, were greater than the amended budget by approximately \$195,000.

The original budget for the General Fund included anticipated expenditures of approximately \$93.6 million and \$91.3 million for the years ended June 30, 2017 and 2016, respectively, an increase of approximately \$2.3 million from 2016 to 2017. For the year ended June 30, 2017, the budget was amended to reflect an increase of approximately \$342,000 in anticipated expenditures; however, the total actual expenditures of \$93.8 million was approximately \$183,000 less than total anticipated expenditures of \$94 million per the amended budget.

Overall, the net change (decrease) in fund balance for the year ended June 30, 2017 of \$2,607,274 resulted from lower than anticipated General Fund revenues combined with a relatively constant level of expenditures, and signifies a decrease in financial reserves.

The Prison Canteen Special Revenue Fund — Minor changes were made between the original and final budget to better reflect the financial activity for the year.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital assets

The Sheriff's investment in capital assets was \$13,299,937, net of accumulated depreciation of \$21,223,330 at June 30, 2017 and \$12,474,542 net of accumulated depreciation of \$21,837,625 at June 30, 2016. Under the Sheriff's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting. All assets with a cost of \$500 or more, as well as certain assets with a cost of less than \$500, are inventoried and tracked. See Note 3 within the notes to the financial statements for additional information about changes in capital assets during the fiscal year and the balance at the end of the year.

The following table provides a summary of capital asset categories:

| | <u>Capital Assets</u> | |
|------------------------------|---|----------------------|
| | <u>(net of accumulated depreciation where applicable)</u> | |
| | <u>6/30/2017</u> | <u>6/30/2016</u> |
| Land | \$ 68,566 | \$ 68,566 |
| Work-in-progress | 490,998 | - |
| Buildings | 2,319,802 | 2,370,671 |
| Vehicles | 4,945,591 | 4,406,882 |
| Office furniture & equipment | 367,607 | 512,814 |
| Law enforcement equipment | 3,773,320 | 3,608,697 |
| Telecommunications equipment | <u>1,334,053</u> | <u>1,506,912</u> |
| Total capital assets | <u>\$ 13,299,937</u> | <u>\$ 12,474,542</u> |

At June 30, 2017 and 2016, the depreciable capital assets for governmental activities were 61% and 64% depreciated, respectively.

Long-term liabilities

The Sheriff has no long-term bonded debt or borrowings outstanding at June 30, 2017. Other long-term liabilities consisted of post-employment health benefits of \$14,285,353; general liability and auto claims payable of \$2,855,000, compensated absences of \$3,593,235, lease payable of \$1,866,332 and the net pension liability of \$42,212,684 as of June 30, 2017. These long-term liabilities increased \$14,927,316 in total from June 30, 2016.

Economic Conditions and Budgets of Future Periods

In setting the fiscal year 2018 General Fund budget, property tax revenues were projected to increase by approximately 4%. Federal grant revenues are expected to decrease. Other revenues are expected to remain constant. Expenditures are expected to decrease approximately 4% because of less expenditures related to personnel and services.

Contacting the Sheriff's Financial Management

This financial report is designed to provide a general overview of the Sheriff's finances, comply with laws and regulations related to finance, and demonstrate the Sheriff's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Sheriff's Office, Edward "Skip" Rhorer, Chief Civil Deputy, at (225) 389-8975 or email at srhorer@ebrso.org.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

| | |
|---------------------------------------|-------------------|
| Cash | \$ 13,254,023 |
| Receivables | 1,968,342 |
| Due from fiduciary funds | 393,963 |
| Due from other governments | 2,834,837 |
| Other | 814,187 |
| Capital assets not being depreciated: | |
| Land | 68,566 |
| Work-in-progress | 490,998 |
| Capital assets, net of depreciation | 12,740,373 |
| Total assets | <u>32,565,289</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-------------------|
| Deferred pension contributions | 6,138,347 |
| Deferred outflow amounts related to pension liability | 15,054,586 |
| Total deferred outflows of resources | <u>21,192,933</u> |

LIABILITIES

| | |
|---|-------------------|
| Accounts payable and accrued liabilities | 1,291,377 |
| Health claims payable | 2,100,000 |
| Due to others | 1,054,615 |
| Lease payable - short term portion | 933,166 |
| Compensated absences payable - short term portion | 4,730,000 |
| Long-term liabilities: | |
| Lease payable | 1,866,332 |
| Compensated absences payable | 3,593,235 |
| General liability and auto claims payable | 2,855,000 |
| Net post employment benefit obligation | 14,285,353 |
| Net pension liability | 42,212,684 |
| Total liabilities | <u>74,921,762</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|------------------|
| Deferred inflow amounts related to pension liability | 4,579,267 |
| Total deferred inflows of resources | <u>4,579,267</u> |

NET POSITION

| | |
|----------------------------------|------------------------|
| Net investment in capital assets | 13,299,937 |
| Restricted | 405,054 |
| Unrestricted | (39,447,798) |
| Total net deficit | <u>\$ (25,742,807)</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

| | <u>Program Revenues</u> | | <u>Net (Expense)</u> | |
|---|-------------------------|--|---|---|
| | <u>Expenses</u> | <u>Fees, Fines, and Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Revenues and Changes in Net Position</u> |
| Governmental Activities: | | | | |
| Public Safety | <u>\$ 93,628,804</u> | <u>\$ 20,654,735</u> | <u>\$ 4,481,055</u> | <u>\$ (68,493,014)</u> |
| | | | | |
| General revenues: | | | | |
| Ad valorem taxes | | | | 60,846,610 |
| State grants not restricted to specific programs | | | | 4,334,683 |
| Interest income | | | | 383,780 |
| Other | | | | <u>752,350</u> |
| Total general revenues | | | | <u>66,317,423</u> |
| | | | | |
| Change in net position | | | | (2,175,591) |
| | | | | |
| Net position - beginning | | | | <u>(23,567,216)</u> |
| | | | | |
| Net position - ending | | | | <u>\$ (25,742,807)</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

| | <u>General Fund</u> | <u>Canteen Fund</u> | <u>Total</u> |
|--|--------------------------|-------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 12,574,669 | \$ 231,471 | \$ 12,806,140 |
| Cash restricted | 447,883 | - | 447,883 |
| Receivables | 1,968,342 | - | 1,968,342 |
| Due from other funds | 393,663 | 300 | 393,963 |
| Due from other governments | 2,834,837 | - | 2,834,837 |
| Other | 801,314 | 12,873 | 814,187 |
| Total assets | <u>\$ 19,020,708</u> | <u>\$ 244,644</u> | <u>\$ 19,265,352</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued liabilities | \$ 1,275,682 | \$ 15,695 | \$ 1,291,377 |
| Health claims payable | 2,100,000 | - | 2,100,000 |
| Due to others | 1,054,615 | - | 1,054,615 |
| Total liabilities | <u>4,430,297</u> | <u>15,695</u> | <u>4,445,992</u> |
| <u>FUND BALANCE</u> | | | |
| Restricted | 405,054 | - | 405,054 |
| Committed | - | 228,949 | 228,949 |
| Unassigned | 14,185,357 | - | 14,185,357 |
| Total fund balances | <u>14,590,411</u> | <u>228,949</u> | <u>14,819,360</u> |
| Total liabilities and fund balances | <u>\$ 19,020,708</u> | <u>\$ 244,644</u> | <u>\$ 19,265,352</u> |

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET

TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

| | | |
|--|----|---------------------|
| Total Fund Balances for governmental funds at June 30, 2017 | \$ | 14,819,360 |
| Total Net Position reported for governmental activities in the Statement of Net Position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capitalized cost, net of \$21,186,761 accumulated depreciation is equal to: | | |
| | | 13,299,937 |
| Long-term liabilities at June 30, 2017: | | |
| Net post employment benefits obligation | | (14,285,353) |
| Claims payable - general liability and auto | | (2,855,000) |
| Compensated absences payable | | (8,323,235) |
| Lease payable | | (2,799,498) |
| Pension liabilities, deferred inflows and deferred outflows of resources: | | |
| Net pension liability | | (42,212,684) |
| Deferred inflows related to pension liability | | (4,579,267) |
| Deferred outflows related to pension liability | | <u>21,192,933</u> |
| Total Net Position of governmental activities at June 30, 2017 | \$ | <u>(25,742,807)</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

| <u>REVENUES</u> | <u>General Fund</u> | <u>Canteen Fund</u> | <u>Total</u> |
|--|----------------------------|--------------------------------|----------------------|
| Ad valorem taxes | \$ 60,846,610 | \$ - | \$ 60,846,610 |
| Intergovernmental revenues: | | | |
| Federal grants | 3,668,766 | - | 3,668,766 |
| State grants | 100,220 | - | 100,220 |
| State supplemental pay | 3,642,888 | - | 3,642,888 |
| State revenue sharing | 691,795 | - | 691,795 |
| Fees, charges, and commissions for services: | | | |
| Civil and criminal fees | 6,075,575 | - | 6,075,575 |
| Court attendance | 117,334 | - | 117,334 |
| Transporting prisoners | 440,016 | - | 440,016 |
| Feeding and keeping prisoners | 9,563,844 | - | 9,563,844 |
| Sales of merchandise | - | 70,941 | 70,941 |
| Fines and forfeitures | 249,496 | - | 249,496 |
| Narcotics seizures | 166,567 | - | 166,567 |
| Other | 3,614,674 | 356,288 | 3,970,962 |
| Interest income | 382,136 | 1,644 | 383,780 |
| Donations | 712,069 | - | 712,069 |
| Miscellaneous | 813,228 | 1,445 | 814,673 |
| Total Revenues | 91,085,218 | 430,318 | 91,515,536 |
| <u>EXPENDITURES</u> | | | |
| Public safety: | | | |
| Personnel services and related benefits | 67,402,354 | - | 67,402,354 |
| Operating services | 12,243,368 | 270,907 | 12,514,275 |
| Materials and supplies | 8,387,736 | 67,169 | 8,454,905 |
| Transporting and other charges | 2,229,363 | 29,160 | 2,258,523 |
| Capital outlay | 3,516,221 | - | 3,516,221 |
| Total Expenditures | 93,779,042 | 367,236 | 94,146,278 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (2,693,824) | 63,082 | (2,630,742) |
| Other financing sources: | | | |
| Sale of fixed assets | 86,550 | - | 86,550 |
| Total other financing sources | 86,550 | - | 86,550 |
| Net change in fund balance | (2,607,274) | 63,082 | (2,544,192) |
| FUND BALANCE AT BEGINNING OF YEAR | 17,197,685 | 165,867 | 17,363,552 |
| FUND BALANCE AT END OF YEAR | \$ 14,590,411 | \$ 228,949 | \$ 14,819,360 |

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

RECONCILIATION OF GOVERNMENTAL FUNDS'
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balance for year ended June 30, 2017, per Statement of Revenues, Expenditures and Changes in Fund Balances \$ (2,544,192)

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

Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|------------------|-----------------------|
| Purchases of capital assets | 3,511,869 | |
| Depreciation expense | (2,537,601) | |
| Net book value of capital assets disposed | <u>(148,873)</u> | 825,395 |
| Excess of compensated absences earned over compensated absences taken | | (486,654) |
| Net change in claims liability | | (800,000) |
| Net other post employment benefits expense in excess of contributions | | (1,260,785) |
| Net change in pension liability and deferred inflows/outflows of resources | | <u>2,090,645</u> |
| Total change in Net Position for year ended June 30, 2017, per Statement of Activities | | <u>\$ (2,175,591)</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINED STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2017

ASSETS

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 21,660,278 |
| Receivables | 76,967 |
| Total Assets | <u>\$ 21,737,245</u> |

LIABILITIES

| | |
|--|----------------------|
| Due to other funds of Sheriff | \$ 393,963 |
| Balance due to taxing bodies, prisoners and others | 21,343,282 |
| Total Liabilities | <u>\$ 21,737,245</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Sheriff's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function. Program revenues are derived directly from fees and charges paid by the recipient of services offered by the Sheriff and grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS:

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

The Sheriff reports the following major governmental funds:

General Fund

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (continued)

The Sheriff reports the following major governmental funds: (continued)

Special Revenue Fund

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

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

Agency Funds

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

C. REPORTING ENTITY

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

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

D. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING/MEASUREMENT FOCUS (continued)

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

In preparing the GWFS, the Sheriff follows those Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, which were made applicable to governments through the issuance of GASB No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November, 1989 FASB and AICPA Pronouncements*.

E. BUDGET PRACTICES

The proposed budget for the year ended June 30, 2017, was made available for public inspection and comments from taxpayers at the Sheriff's office on June 8, 2016. A public hearing was held on the proposed budget at least 10 days after publications of the call of the hearing. The proposed budget was published in the official journal ten days prior to the public hearing, which was held at the Sheriff's Office on June 21, 2016 for the comments from taxpayers. The budget was legally adopted and amended, as necessary, by the Sheriff.

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

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

F. CASH AND CASH EQUIVALENTS

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CAPITAL ASSETS

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

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

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

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

H. COMPENSATED ABSENCES

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

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FUND EQUITY OF FUND FINANCIAL STATEMENTS

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

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

Spendable

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

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

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

Unassigned - represent balances for which there are no constraints.

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

J. USE OF ESTIMATES

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

K. RESTRICTED NET POSITION

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

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

L. PENSION PLANS

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

2. LEVIED TAXES

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

| | <u>Authorized Millage</u> | <u>Levied Millage</u> | <u>Expiration Date</u> |
|------------------------------------|-------------------------------|---------------------------|----------------------------|
| Special law enforcement | 4.36 | 4.36 | None |
| Additional special law enforcement | 6.90 | 6.90 | 12/31/2023 |
| Special law enforcement | 3.73 | 3.73 | 12/31/2020 |

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2017, are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| <u>Cost</u> | | | | |
| Land | \$ 68,566 | \$ - | \$ - | \$ 68,566 |
| Work-in-progress | - | 490,998 | - | 490,998 |
| Buildings | 3,807,530 | 59,608 | - | 3,867,138 |
| Vehicles | 17,103,555 | 2,150,887 | (1,923,445) | 17,330,997 |
| Office furniture and equipment | 3,512,864 | 48,452 | (914,093) | 2,647,223 |
| Law enforcement equipment | 5,599,874 | 740,049 | (117,836) | 6,222,087 |
| Telecommunications equipment | 4,219,778 | 21,875 | (381,964) | 3,859,689 |
| Total | <u>34,312,167</u> | <u>3,511,869</u> | <u>(3,337,338)</u> | <u>34,486,698</u> |
| <u>Accumulated Depreciation</u> | <u>(21,837,625)</u> | <u>(2,537,601)</u> | <u>(3,188,465)</u> | <u>(21,186,761)</u> |
| Total Capital Assets (net) | <u>\$ 12,474,542</u> | <u>\$ 974,268</u> | <u>(\$ 148,873)</u> | <u>\$ 13,299,937</u> |

For the year ended June 30, 2017, depreciation expense was \$2,537,601.

4. CASH AND CASH EQUIVALENTS

At June 30, 2017, the Sheriff has cash and cash equivalents consisting solely of deposits in financial institutions. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Custodial credit risk is the risk that an entity may fail to receive its deposits upon failure of a financial institution. To protect against such risks, the market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2017, the deposits are not exposed custodial credit risk as a result of an adequate level of pledged securities and FDIC insurance.

5. RECEIVABLES

Receivables at June 30, 2017 are as follows:

| | |
|---|---------------------|
| Feeding, keeping and transporting prisoners | \$ 387,107 |
| Other fees, charges and commissions | <u>1,581,235</u> |
| | <u>\$ 1,968,342</u> |

6. RESTRICTED ASSETS

Restricted cash held in the general fund of \$447,883 represents funds received from grants, narcotic seizures, litigation settlements, and amounts received under Act 942. These amounts are held in these accounts until disbursements are properly authorized. Restricted net position of \$405,054 represents funds received less amounts due to others at June 30, 2017.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN

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

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

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 sheriff's offices throughout the state of Louisiana, employees of the Louisiana Sheriff's Association and the Sheriff's Pension and Relief Fund's office as provided for in LRS 11:2171. Eligibility for retirement benefits and the computation of retirement benefits are provided for in LRS 11:2178.

Cost of Living Provisions

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

Funding Policy

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017, the actual employer contribution rate was 13.25% with 0% allocated from the Funding Deposit Account. For the year ended June 30, 2016, the actuarially determined employer contribution rate was 13.75%. Also, employer contributions for the year ended June 30, 2017 were \$6,138,347. In accordance with state statute, the Fund receives ad valorem taxes, insurance premium taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense. Non-employer contributions for the year ended June 30, 2017 were \$2,583,582.

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

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

At June 30, 2017, the Sheriff reported a liability of \$42,212,684 for its proportionate share of the net pension liability of the Louisiana Sheriffs' Pension and Relief Fund. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sheriff's proportion of the net pension liability was based on actual contributions to the plan for the year ended June 30, 2016. At June 30, 2016, the Sheriff's proportion was 6.6509%, which was an increase of 0.1420% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Sheriff recognized pension expense of \$6,631,284.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

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

At June 30, 2017, the Sheriff 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 | \$ - | \$ (4,427,643) |
| Changes of assumptions | 3,448,645 | - |
| Net difference between projected and actual earnings on pension plan investments | 10,572,178 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 981,768 | (117,169) |
| Contributions in excess (deficiency) of required amount | 51,995 | (34,455) |
| Employer contributions subsequent to the measurement date | 6,138,347 | - |
| Total | \$ 21,192,933 | \$ (4,579,267) |

The Sheriff reported a total of \$6,165,295 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in net pension liability in the year ended June 30, 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 | LSPRF |
|------|---------------|
| 2017 | \$ 1,296,837 |
| 2018 | 1,296,836 |
| 2019 | 4,376,300 |
| 2020 | 3,123,695 |
| 2021 | 188,057 |
| 2022 | 193,594 |
| | \$ 10,475,319 |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 is as follows:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Expected Remaining Service Lives | 7 years |
| Investment Rate of Return | 7.60%, net of investment expense |
| Projected salary increases | 5.5% (2.875% inflation, 2.625% merit) |
| Mortality | RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table |

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 and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------------|--------------------------|---|
| Equity securities | 60% | 3.90% |
| Bonds | 25% | 0.50% |
| Alternative Investments | 15% | 0.60% |
| Total | <u>100%</u> | <u>5.00%</u> |
| Inflation | | <u>2.70%</u> |
| Expected Arithmetic Nominal Return | | <u>7.70%</u> |

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

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

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

| | <u>1.0% Decrease</u> | <u>Current Discount Rate</u> | <u>1.0% Increase</u> |
|--------------------|----------------------|------------------------------|----------------------|
| LSPRF | | | |
| Rates | 6.50% | 7.50% | 8.50% |
| EBRSO Share of NPL | \$ 71,618,122 | \$ 42,212,684 | \$ 17,941,984 |

Amounts Payable to Pension Plans

The Sheriff had no amounts payable to the Retirement System at June 30, 2017.

8. OTHER POST-EMPLOYMENT BENEFITS

The Sheriff accounts for its non-pension post-employment benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 45).

Plan Description. The Sheriff's medical and life insurance benefits are provided to employees upon actual retirement.

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

Life insurance coverage is continued to retirees and the blended rate for active employees and retirees is \$0.37 per \$1,000 of insurance. The retiree pays 100% of the "cost" of the retiree's life insurance after retirement but that "cost" is based on the blended active/retired rate and there is thus an additional implied subsidy. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described below 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. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

Contribution Rates. Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy. Until 2008, the Sheriff recognized the cost of providing post-employment medical and life insurance benefits (the Sheriff'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. In 2017, the Sheriff's portion of health care and life insurance funded for retired employees totaled \$489,778.

Effective July 1, 2008, the Sheriff implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Annual Required Contribution. The Sheriff's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. 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 Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC as of July 1, 2016 is as follows:

| | |
|------------------------------------|---------------------|
| Normal Cost | \$ 801,477 |
| 30-year UAL amortization amount | <u>1,181,315</u> |
| Annual required contribution (ARC) | <u>\$ 1,982,792</u> |

Net Post-employment Benefit Obligation (Asset). The table below shows the calculation of the Sheriff's Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending June 30, 2017:

| | |
|---|----------------------|
| Beginning Net OPEB Obligation 7/1/2016 | \$ 13,024,568 |
| Annual required contribution | 1,982,792 |
| Interest on Net OPEB Obligation | 520,983 |
| ARC Adjustment | <u>(753,212)</u> |
| OPEB Cost | 1,750,563 |
| Contribution to Irrevocable Trust | - |
| Current year retiree premium (plan contributions) | <u>(489,778)</u> |
| Change in Net OPEB Obligation | <u>1,260,785</u> |
| Ending Net OPEB Obligation 6/30/2017 | <u>\$ 14,285,353</u> |

The following table shows Sheriff's annual other post employment benefits (OPEB) cost, percentage of the cost contributed, and the net unfunded other post employment benefit (OPEB) obligation for the fiscal years ending June 30, 2017, 2016, and 2015:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|--|--------------------------------|
| June 30, 2017 | \$ 1,750,563 | 27.98% | \$ 14,285,353 |
| June 30, 2016 | \$ 1,873,242 | 24.93% | \$ 13,024,568 |
| June 30, 2015 | \$ 1,817,929 | 23.79% | \$ 11,618,377 |

Funded Status and Funding Progress. In the fiscal year ending June 30, 2017, the Sheriff made no contributions to its post-employment benefits plan other than the current year's premium due for retirees. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$21,244,471 which is defined as that portion, as determined by a particular actuarial cost method (the Sheriff 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.

| | |
|---|----------------------|
| Actuarial Accrued Liability (AAL) | \$ 21,244,471 |
| Actuarial Value of Plan Assets | <u>-</u> |
| Unfunded Act. Accrued Liability (UAAL) | <u>\$ 21,244,471</u> |
| Funded Ratio (Act. Val. Assets/AAL) | 0.00% |
| Covered Payroll (active plan members) | \$ 50,372,065 |
| UAAL as a percentage of covered payroll | 42.18% |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

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 Sheriff and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Sheriff 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 Sheriff 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.

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 Codification Section P50.

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 10%.

Post-employment Benefit Plan Eligibility Requirements. Historically, most employees have not retired until 20 to 30 years of service. We have therefore assumed that employees retire three years after the earliest of the following: 30 years of service at any age; or, age 55 and 20 years of service. The three years is to accommodate the D.R.O.P. period. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Codification Section P50 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 5.0% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

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 retiree pays the "cost" of the medical benefits as described above under "Plan Description" but the medical rates provided are "blended" rates for active and retired. We have therefore estimated the "unblended" rates as required by GASB 45 for valuation purposes to be 130% of the total blended rates prior to Medicare eligibility and 80% of the total blended rates after Medicare eligibility. The retiree portion of the premium paid is then deducted from the estimated total unblended premium to determine the implied subsidy paid by the employer.

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.

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.

9. CHANGES IN AGENCY FUNDS

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

| | <u>Sheriff's Fund</u> | <u>Prison Inmate Fund</u> | <u>Tax Collector Fund</u> | <u>Evidence Fund</u> | <u>Total</u> |
|---------------------|---------------------------|-------------------------------|-------------------------------|--------------------------|----------------------|
| Balance, 07/01/2016 | \$ 7,204,651 | \$ 269,786 | \$ 15,206,170 | \$ 1,123,540 | \$ 23,804,147 |
| Additions | 19,668,935 | 628,773 | 476,096,974 | 354,418 | 496,749,100 |
| Reductions | (19,574,708) | (594,914) | (478,370,067) | (276,313) | (498,816,002) |
| Balance, 06/30/2017 | <u>\$ 7,298,878</u> | <u>\$ 303,645</u> | <u>\$ 12,933,077</u> | <u>\$ 1,201,645</u> | <u>\$ 21,737,245</u> |

10. TAXES PAID UNDER PROTEST

Amounts held in escrow for protested taxes at June 30, 2017, were \$9,247,765, consisting of taxes paid under protest, plus interest earned to date on the investment of these funds. These funds are held pending resolution of the protest and are accounted for in the Tax Collector Agency Fund.

11. RISK MANAGEMENT

A. Accounting for Risk

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

11. RISK MANAGEMENT (continued)

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

At June 30, 2017, the Sheriff was a defendant in multiple lawsuits in the ordinary course of business. These suits, arising from various claims involving worker's compensation issues, automobile accidents, police misconduct, general liability and others are mostly covered through private insurance policies. However, the Sheriff is exposed for certain uninsured claims and deductibles. An estimate of \$2,855,000 has been accrued in the financial statements to account for claims and deductibles not covered through insurance that have been incurred and will likely be paid. Based upon the opinion of the Sheriff's legal counsel, the ultimate resolution of these matters, as well as other claims not covered by insurance policies, is not expected to materially impact the operations of the Sheriff.

C. Risk Management – Employee Health

The Sheriff assumes the risk of all medical and pharmacy claims of participants in its employee health plan up to \$150,000 per individual, with reinsurance covering the claims in excess of that amount. For duty related claims, reinsurance is limited to \$2,000,000 per individual per year. Reinsurance also covers the aggregate of claims below \$150,000 in excess of the annual attachment point, up to a \$1,000,000 limit. For the year ended June 30, 2017, the minimum annual attachment point was \$10,356,306.

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

| | |
|---|----------------------|
| Unpaid claims as of July 1, 2016 | \$ 1,110,000 |
| Current year claims incurred and changes in estimates | 12,661,314 |
| Claims paid | <u>(11,671,314)</u> |
| Unpaid claims as of June 30, 2017 | <u>\$ 2,100,000</u> |

The above unpaid claims as of June 30, 2017, include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends.

12. COMPENSATED ABSENCE LIABILITY

At June 30, 2017, employees of the Sheriff have accumulated and vested \$8,323,235 of employee leave benefits according to the Sheriff's PTO policy, which were computed in accordance with GASB Classification Section C60. The following is a summary of the compensated absence liability activity during the year:

| | <u>Compensated Absences</u> |
|----------------------------|---------------------------------|
| Balance, July 1, 2016 | \$ 7,836,581 |
| Additions (amounts earned) | 4,971,732 |
| Deductions (amounts paid) | <u>(4,485,078)</u> |
| Balance, June 30, 2017 | <u>\$ 8,323,235</u> |

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

| | |
|---|---------------------|
| Compensated absences – short term portion | \$ 4,730,000 |
| Compensated absences – long term portion | <u>3,593,235</u> |
| Total compensated absences | <u>\$ 8,323,235</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

13. INTERFUND TRANSACTIONS

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|--------------|---------------------------------|------------------------------|
| General Fund | \$ 393,653 | \$ - |
| Canteen Fund | 300 | - |
| Agency Funds | - | 393,963 |
| | <u>\$ 393,963</u> | <u>\$ 393,963</u> |

14. SHORT-TERM BORROWINGS AND CAPITAL LEASE

In order to finance operations until the collection of property tax revenues, the Sheriff obtained two short-term loans from a prominent banking institution. The loan balances and rates were as follows:

| | <u>Loan 1</u> | <u>Loan 2</u> |
|----------------------------|---------------|---------------|
| Amounts available for draw | \$ 17,000,000 | \$ 13,000,000 |
| Interest rates | 1.10% | 1.16% |

The entire amount available for both loans was drawn. Loan 1 was repaid in full in March 2017 and Loan 2 was repaid in full in June 2017. Interest paid on the both loans was \$167,325 during fiscal year 2017.

During fiscal year 2016, the Sheriff entered into a capital lease agreement in order to finance the purchase of new radios for law enforcement vehicles and the supporting centralized equipment. The total financed was \$2,799,498 at 0% interest. The lease is to be repaid in three annual installments of \$933,166 beginning July 1, 2017.

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|------------------|------------------------------|----------------------|------------------------|---------------------------|
| Short-term loan | \$ - | \$ 30,000,000 | (\$ 30,000,000) | \$ - |
| Lease payable | 2,799,498 | - | (-) | 2,799,498 |
| Total borrowings | <u>\$ 2,799,498</u> | <u>\$ 30,000,000</u> | <u>(\$ 30,933,166)</u> | <u>\$ 2,799,498</u> |

15. LEASE OBLIGATIONS

The Sheriff has entered into an operating lease agreement for vehicles used in its operations. Lease expense incurred during the year ended June 30, 2017 was approximately \$235,000. The following are annual future minimum lease payments as of June 30, 2017:

| Years Ending June 30,: | |
|------------------------|---------------------|
| 2018 | 303,595 |
| 2019 | 303,595 |
| 2020 | 303,595 |
| 2021 | 267,953 |
| 2022 | 59,188 |
| | <u>\$ 1,237,926</u> |

16. CONTRACT COMMITMENT

In October 2016, the Sheriff entered into a contract for the construction of a law enforcement fire and rescue boat for approximately \$860,000. As of June 30, 2017, costs incurred toward the construction is approximately \$491,000 and is included in capital assets as work-in-progress.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

17. TAX REVENUES ABATED

The Louisiana Industrial Ad Valorem Tax Exemption program (Louisiana Administrative Code, Title 13, Chapter 5) is a state incentive program which abates, up to ten years, local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. Applications to exempt qualified property for five years are approved by the Board of Commerce and Industry. The exemption may be renewed for an additional five years. For the fiscal year ending June 30, 2017, approximately \$4,700,000 of the Sheriff's ad valorem tax revenues were abated by the state of Louisiana through the Louisiana Industrial Ad Valorem Tax Exemption program.

18. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts, salaries and other payables as of June 30, 2017, were as follows:

| | |
|--|---------------------|
| Vendors | \$ 977,051 |
| Salaries and benefits | <u>314,326</u> |
| Total accounts payable and accrued liabilities | <u>\$ 1,291,377</u> |

19. FUTURE ACCOUNTING CHANGES

The Governmental Accounting Standards Board recently issued GASB Statement No. 75 *Accounting for Postemployment Benefits*, which supersedes accounting standards that currently exist regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of actuarially determined accrued benefits less amounts funded into a trust rather than recognizing a liability based upon the difference between funding recommendations and actual contributions, as is currently required. Additionally, the liability will be measured according to more prescriptive requirements. The standard is effective for annual reporting periods beginning after June 15, 2017. The Sheriff expects that the new standard will have a material negative effect on its net position for the year ended June 30, 2018. However, the amount of the effect is unknown at this time.

20. SUBSEQUENT EVENTS

In August 2017 the Sheriff obtained a short-term loan from a banking institution. The principal amount is \$20,000,000 and payment is due March 1, 2018. The initial draw on the loan at closing was \$3,000,000 with additional draws available in \$500,000 increments up to the principal amount. The total amount outstanding as of December 12, 2017 was \$15,000,000. The loan is secured by a pledge of revenues accruing to the Sheriff for the fiscal year 2017-2018.

REQUIRED
SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2017

| | Budget | | Actual | Variance with Final |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | Budget Positive (Negative) |
| <u>REVENUES</u> | | | | |
| Ad valorem taxes | \$ 63,740,000 | \$ 60,565,000 | \$ 60,846,610 | \$ 281,610 |
| Intergovernmental revenues: | | | | |
| Federal grants | 1,335,000 | 3,489,000 | 3,668,766 | 179,766 |
| State grants | 86,000 | 100,000 | 100,220 | 220 |
| State supplemental pay | 3,680,000 | 3,660,000 | 3,642,888 | (17,112) |
| State revenue sharing | 665,000 | 665,000 | 691,795 | 26,795 |
| Fees, charges, and commissions for services: | | | | |
| Civil and criminal fees | 6,242,500 | 5,915,000 | 6,075,575 | 160,575 |
| Court attendance | 130,000 | 120,000 | 117,334 | (2,666) |
| Transporting prisoners | 400,000 | 410,000 | 440,016 | 30,016 |
| Feeding and keeping prisoners | 11,440,000 | 9,879,000 | 9,563,844 | (315,156) |
| Fines and forfeitures | 230,000 | 280,000 | 249,496 | (30,504) |
| Narcotics seizures and other | 3,984,250 | 3,686,400 | 3,781,241 | 94,841 |
| Interest income | 207,000 | 275,000 | 382,136 | 107,136 |
| Donations and miscellaneous | 1,635,500 | 1,845,500 | 1,525,297 | (320,203) |
| Total Revenues | <u>93,775,250</u> | <u>90,889,900</u> | <u>91,085,218</u> | <u>195,318</u> |
| <u>EXPENDITURES</u> | | | | |
| Public safety: | | | | |
| Personnel services and related benefits | 66,043,300 | 66,842,300 | 67,402,354 | (560,054) |
| Operating services | 11,674,500 | 11,996,300 | 12,243,368 | (247,068) |
| Materials and supplies | 10,486,500 | 8,965,000 | 8,387,736 | 577,264 |
| Travel and other charges | 2,436,620 | 2,714,220 | 2,229,363 | 484,857 |
| Capital outlay | 2,978,800 | 3,443,800 | 3,516,221 | (72,421) |
| Total Expenditures | <u>93,619,720</u> | <u>93,961,620</u> | <u>93,779,042</u> | <u>182,578</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 155,530 | (3,071,720) | (2,693,824) | 377,896 |
| Other financing sources: | | | | |
| Sale of fixed assets | 150,000 | 90,000 | 86,550 | (3,450) |
| Total other financing sources | <u>150,000</u> | <u>90,000</u> | <u>86,550</u> | <u>(3,450)</u> |
| NET CHANGE IN FUND BALANCE | 305,530 | (2,981,720) | (2,607,274) | 374,446 |
| FUND BALANCE AT BEGINNING OF YEAR | 16,587,159 | 17,197,685 | 17,197,685 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ 16,892,689</u> | <u>\$ 14,215,965</u> | <u>\$ 14,590,411</u> | <u>\$ 374,446</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - PRISON CANTEEN FUND
YEAR ENDED JUNE 30, 2017

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--------------------------------------|-----------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Self generated revenue | \$ 438,000 | \$ 428,000 | \$ 430,318 | \$ 2,318 |
| Total Revenues | 438,000 | 428,000 | 430,318 | 2,318 |
| <u>EXPENDITURES</u> | | | | |
| Public safety: | | | | |
| Operating services | 341,000 | 340,500 | 270,907 | 69,593 |
| Materials and supplies | 56,000 | 61,000 | 67,169 | (6,169) |
| Transporting and other charges | 42,000 | 32,000 | 29,160 | 2,840 |
| Total Expenditures | 439,000 | 433,500 | 367,236 | 66,264 |
| EXCESS OF REVENUES OVER EXPENDITURES | (1,000) | (5,500) | 63,082 | 68,582 |
| FUND BALANCE AT BEGINNING OF YEAR | 122,366 | 165,866 | 165,867 | (1) |
| FUND BALANCE AT END OF YEAR | \$ 121,366 | \$ 160,366 | \$ 228,949 | \$ 68,581 |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

OTHER POST EMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2017

SCHEDULE OF FUNDING PROGRESS

| Fiscal Year Ending | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability | | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------|-----------------------------|-------------------------------------|--------------------------------|-----|------------------------------|-----------------------|------------------------|---|
| | | | (AAL) | (b) | | | | |
| 6/30/2017 | 7/1/2016 | \$ - | \$ 21,244,471 | | \$ 21,244,471 | 0.00% | \$ 50,372,065 | 42.18% |
| 6/30/2016 | 7/1/2014 | - | 22,002,860 | | 22,002,860 | 0.00% | 48,909,825 | 44.99% |
| 6/30/2015 | 7/1/2014 | - | 21,156,596 | | 21,156,596 | 0.00% | 46,548,886 | 45.45% |
| 6/30/2014 | 7/1/2012 | - | 19,632,269 | | 19,632,269 | 0.00% | 43,952,743 | 44.67% |
| 6/30/2013 | 7/1/2012 | - | 18,877,181 | | 18,877,181 | 0.00% | 44,469,419 | 42.45% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ending | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Costs Contributed | Increase (Decrease) to Net OPEB Obligation | Net OPEB Obligation |
|-----------------------|---------------------|-----------------------|---|--|------------------------|
| 6/30/2017 | \$ 1,750,563 | \$ 489,778 | 27.98% | \$ 1,260,785 | \$ 14,285,353 |
| 6/30/2016 | 1,873,242 | 467,051 | 24.93% | 1,406,191 | 13,024,568 |
| 6/30/2015 | 1,817,929 | 432,455 | 23.79% | 1,385,474 | 11,618,377 |
| 6/30/2014 | 1,721,360 | 676,035 | 39.27% | 1,045,325 | 10,232,903 |
| 6/30/2013 | 1,667,422 | 625,958 | 37.54% | 1,041,464 | 9,187,578 |

EAST BATON ROUGE PARISH SHERIFF'S OFFICE

Baton Rouge, Louisiana

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

SHERIFFS' PENSION AND RELIEF FUND

FOR THE YEAR ENDED JUNE 30, 2017(*)

| <u>Year</u> | <u>Employer's Proportion of the Net Pension Liability (Asset)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u> | <u>Employer's Covered- Employee Payroll</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|-------------|---|--|---|--|---|
| 2017 | 6.6509% | \$ 42,212,684 | \$ 45,421,234 | 92.9360% | 82.10% |
| 2016 | 6.5089% | 29,013,544 | 43,140,239 | 67.2540% | 86.61% |
| 2015 | 6.4226% | 25,433,541 | 40,660,119 | 62.5516% | 87.34% |

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

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

EAST BATON ROUGE PARISH SHERIFF'S OFFICE
Baton Rouge, Louisiana

SCHEDULE OF THE EMPLOYER'S CONTRIBUTIONS TO THE
SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED JUNE 30, 2017

| <u>Year</u> | <u>Contractually Required Contribution¹</u> | <u>Contributions in Relation to Contractually Required Contribution²</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll³</u> | <u>Contributions as a % of Covered Employee Payroll</u> |
|-------------|--|---|---|--|---|
| 2017 | \$ 6,138,347 | \$ 6,138,347 | \$ - | \$ 46,327,147 | 13.2500% |
| 2016 | 6,245,425 | 6,245,425 | - | 45,421,234 | 13.7500% |
| 2015 | 6,147,481 | 6,147,481 | - | 43,140,239 | 14.2500% |

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

For reference only:

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

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

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

OTHER SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

GENERAL DESCRIPTIONS
AGENCY FUNDS
June 30, 2017

SHERIFF'S FUND

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

PRISON INMATE FUND

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

TAX COLLECTOR AGENCY FUND

Article V, Section 27 of the Louisiana Constitution of 1974 provides that the Sheriff will serve as the collector of state and parish taxes and fees. The Tax Collector Fund accounts for the collection and distribution of these taxes and fees to the appropriate taxing bodies.

EVIDENCE FUND

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS
June 30, 2017

| | Sheriff's Fund | Prison Inmate Fund | Tax Collector Fund | Evidence Fund | Total |
|----------------------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 7,221,958 | \$ 303,645 | \$ 12,933,077 | \$ 1,201,598 | \$ 21,660,278 |
| Receivables | 76,920 | - | - | 47 | 76,967 |
| Total assets | <u>\$ 7,298,878</u> | <u>\$ 303,645</u> | <u>\$ 12,933,077</u> | <u>\$ 1,201,645</u> | <u>\$ 21,737,245</u> |
| <u>LIABILITIES</u> | | | | | |
| Due to other funds | - | - | 393,963 | - | 393,963 |
| Due to taxing bodies and others: | | | | | |
| Due to taxing bodies | - | - | 3,291,349 | - | 3,291,349 |
| Due to others | 7,298,878 | 303,645 | - | 1,201,645 | 8,804,168 |
| Protested taxes | - | - | 9,247,765 | - | 9,247,765 |
| Total Liabilities | <u>\$ 7,298,878</u> | <u>\$ 303,645</u> | <u>\$ 12,933,077</u> | <u>\$ 1,201,645</u> | <u>\$ 21,737,245</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF CHANGES IN
AMOUNT DUE TAXING BODIES AND OTHERS - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

| | <u>Sheriff's</u> <u>Fund</u> | <u>Prison Inmate</u> <u>Fund</u> | <u>Tax Collector</u> <u>Fund</u> | <u>Evidence</u> <u>Fund</u> | <u>Total</u> |
|---|---------------------------------|-------------------------------------|-------------------------------------|--------------------------------|-----------------------------|
| <u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2016</u> | <u>\$ 7,204,651</u> | <u>\$ 269,786</u> | <u>\$ 15,206,170</u> | <u>\$ 1,123,540</u> | <u>\$ 23,804,147</u> |
| <u>ADDITIONS</u> | | | | | |
| Deposits: | | | | | |
| Suits, successions, etc. | 15,275,222 | - | - | - | 15,275,222 |
| Garnishments | 3,884,479 | - | - | - | 3,884,479 |
| Surety bonds | 509,234 | - | - | - | 509,234 |
| Taxes, fees, etc. paid to tax collector | - | - | 474,482,887 | - | 474,482,887 |
| Interest on investments | - | - | 1,614,087 | - | 1,614,087 |
| Other Additions | | | | | |
| Prisoner deposits | - | 628,773 | - | - | 628,773 |
| Evidence cash received | - | - | - | 354,418 | 354,418 |
| Total additions | <u>19,668,935</u> | <u>628,773</u> | <u>476,096,974</u> | <u>354,418</u> | <u>496,749,100</u> |
| <u>REDUCTIONS</u> | | | | | |
| Taxes, fees, etc. distributed to taxing bodies and others | - | - | 478,370,067 | - | 478,370,067 |
| Payments to litigants, etc. | 12,229,299 | - | - | - | 12,229,299 |
| Fees to Sheriff and Clerk of Court | 6,745,964 | - | - | - | 6,745,964 |
| Surety bond refunds | 599,445 | - | - | - | 599,445 |
| Refunds to released inmates and prisoner program disbursements | - | 594,914 | - | - | 594,914 |
| Authorized program disbursements | - | - | - | 276,313 | 276,313 |
| Total reductions | <u>19,574,708</u> | <u>594,914</u> | <u>478,370,067</u> | <u>276,313</u> | <u>498,816,002</u> |
| Change in amounts due taxing bodies and others | <u>94,227</u> | <u>33,859</u> | <u>(2,273,093)</u> | <u>78,105</u> | <u>(2,066,902)</u> |
| <u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2017</u> | <u>\$ 7,298,878</u> | <u>\$ 303,645</u> | <u>\$ 12,933,077</u> | <u>\$ 1,201,645</u> | <u>\$ 21,737,245</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO THE EAST BATON ROUGE PARISH SHERIFF
FOR THE YEAR ENDED JUNE 30, 2017

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

| <u>Purpose:</u> | <u>Amount</u> |
|------------------------------------|----------------------|
| Salary | \$ 179,277 |
| Benefits - insurance | 7,187 |
| Benefits - retirement contribution | 23,754 |
| Registration fees | 2,435 |
| Conference travel | 6,982 |
| | <u>\$ 219,635</u> |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.



Purpose of this Report

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

Postlethwaite + Netterville

Baton Rouge, Louisiana
December 12, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the East Baton Rouge Parish Sheriff's (the "Sheriff") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Sheriff's major federal programs for the year ended June 30, 2017. The Sheriff's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Sheriff complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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



Postlethwaite & Netterville

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

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

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

Postlethwaite + Netterville

Baton Rouge, Louisiana
December 12, 2017

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

| FEDERAL DEPARTMENT/PASS-THROUGH ENTITY/PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | FEDERAL EXPENDITURES | AMOUNTS PROVIDED TO SUBRECIPIENTS |
|--|--------------------------------|---------------------|---------------------------------|--|
| <u>United States Department of Justice</u> | | | | |
| <u>Direct Program:</u> | | | | |
| <i>Office of Justice Programs:</i> | | | | |
| Justice Assistance Grant 2013 | 16.738 | 2013-DJ-BX-0241 | \$ 8,117 | \$ - |
| Justice Assistance Grant 2014 | 16.738 | 2014-DJ-BX-0712 | 7,958 | 7,958 |
| Justice Assistance Grant 2015 | 16.738 | 2015-DJ-BX-0473 | 98,995 | 98,995 |
| Justice Assistance Grant 2016 | 16.738 | 2016-DJ-BX-0831 | 9,117 | - |
| COPS Hiring Program | 16.710 | 2016-UL-WX-0052 | 176,302 | - |
| Equitable Sharing Agreement & Certification Program | 16.111 | N/A | 159,034 | - |
| <u>Passed Through:</u> | | | | |
| <i>Louisiana Commission on Law Enforcement and Administration of Criminal Justice:</i> | | | | |
| Violent Crime Task Force | 16.738 | 2015-DJ-01-3051 | 9,669 | 3,569 |
| Targeting Violent Criminals | 16.738 | 2015-DJ-01-3050 | 7,181 | - |
| Targeting Violent Criminals | 16.738 | 2015-DJ-01-3551 | 2,272 | - |
| LACLE Emergency Funding | 16.751 | 2016-MU-BX-0015 | 71,000 | - |
| Multi-Jurisdictional Task Force | 16.738 | 2014-DJ-01-3207 | 40,932 | 40,932 |
| Crime Victims Unit | 16.575 | 2015-VA-01/03-2816 | 82,369 | - |
| Project Safe Neighborhoods, Justice Assistance Grant 2014 | 16.609 | 2014-GP-BX-0014 | 53,077 | 53,077 |
| Total United States Department of Justice | | | <u>726,023</u> | <u>204,531</u> |
| <u>United States Department of Transportation</u> | | | | |
| <u>Passed Through:</u> | | | | |
| <i>Louisiana Department of Public Safety and Corrections:</i> | | | | |
| State and Community Highway Safety | 20.600 | 1 2016-30-18 | 24,680 | - |
| State and Community Highway Safety | 20.600 | 1 2017-30-18 | 68,484 | - |
| Minimum Penalties for Repeat Offenders While Driving Intoxicated | 20.608 | 2016-30-18 | 34,700 | - |
| Minimum Penalties for Repeat Offenders While Driving Intoxicated | 20.608 | 2017-30-18 | 98,022 | - |
| Total United States Department of Transportation | | | <u>225,886</u> | <u>-</u> |
| <u>United States Department of Homeland Security</u> | | | | |
| <u>Passed Through:</u> | | | | |
| <i>Governor's Office of Homeland Security & Emergency Preparedness:</i> | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | G16GC0001A | 57,758 | - |
| FEMA Disaster Grants - Public Assistance | 97.036 | FEMA-DR-4277 | 1,572,791 | - |
| Port Security Grant 15 | 97.056 | EMW2015PU00277 | 368,249 | - |
| Port Security Grant 16 | 97.056 | EMW2016PU00480 | 4,125 | - |
| Total United States Department of Homeland Security | | | <u>2,002,923</u> | <u>-</u> |
| Total Expenditures | | | <u>\$ 2,954,832</u> | <u>\$ 204,531</u> |

See accompanying notes to this schedule.

1 - Highway Safety Cluster

EAST BATON ROUGE PARISH SHERIFF

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – INDIRECT COST RATE

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

NOTE C – Reconciliation to Financial Statements

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

| | |
|--|---------------------|
| Total expenditures per SEFA | \$ 2,954,832 |
| Add costs incurred and revenue recognized for FEMA Public Assistance Grant related to projects approved after year-end | 685,760 |
| Collection of prior year grant costs | <u>28,174</u> |
| Federal grants revenue per financial statements | <u>\$ 3,668,766</u> |

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

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

Noncompliance material to financial statements noted?

 x yes _____ no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

_____ yes x no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 97.036 | Disaster Grants – Public Assistance |

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

The East Baton Rouge Parish Sheriff was determined not to be a low-risk auditee.

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings – Financial Statement Audit

2017 - 001 Public Bid Law

Criteria: Local political subdivisions and local governmental entities are required to follow certain procurement procedures for the purchase of materials and supplies if the cost is over contract thresholds established by Public Bid Law. Louisiana R.S. 38:2212.1(C)(1) and (2) provides that certain guidelines be followed when specifying a particular brand in the bid process.

Condition: The Sheriff purchased 4 law enforcement motorcycles through a public bid process. The bid advertisement specified the make and model of the motorcycle along with certain specifications and equipment required. However, the advertisement did not specify that equivalent motorcycles would be acceptable.

Cause: The advertisement did not include appropriate information to indicate that equivalent motorcycles would be acceptable.

Effect: The Sheriff may not be in compliance with Louisiana Bid Law.

Recommendation: We recommend that the Sheriff implement policies and controls to ensure that future advertisements do not specify a particular brand without also indicating that equivalent products will be accepted.

Management's response: *The Sheriff's Office will update purchasing policies and procedures to ensure full compliance with all provisions of the Louisiana Bid Law to include acceptance of equivalent items when bids are requested specifying a particular brand.*

C. Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs

None



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East Baton Rouge Parish
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Management's Response to Audit Finding

Finding 2017-001 Public Bid Law

The Sheriff's Office will update purchasing policies and procedures to ensure full compliance with all provisions of the Louisiana Bid Law to include acceptance of equivalent items when bids are requested specifying a particular brand.

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2017



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EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2017

December 12, 2017

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

We have audited the financial statements of the East Baton Rouge Parish Sheriff's Office (EBRSO or Sheriff), for the year ended June 30, 2017 and have issued our report thereon. As part of our audit, we considered the Sheriff's internal control over financial reporting as well as compliance with the terms of applicable laws and regulations, contracts, and grant agreements that could have a material effect on the financial statements. The purpose of our consideration of internal control and compliance was to establish a basis for designing our auditing procedures, and to determine the effects of compliance to financial statements amounts. Our consideration was not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control or expressing an opinion on compliance. We also performed certain statewide agreed upon procedures on compliance and internal control areas as required by the Louisiana Legislative Auditor. Again, those procedures were performed for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control or expressing an opinion on compliance.

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

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

During the course of our audit and performing our agreed-upon procedures engagement, we became aware of matters that are opportunities to ensure that there are appropriate internal controls in the future. Our comments are set forth below. This letter does not affect our reports dated December 12, 2017, on the financial statements of the EBRSO and the EBRSO's internal control over financial reporting.

2017-1 Enhancement of Policies and Procedures and Other Best Practices

Condition: During the performance of our statewide agreed-upon procedures engagement, we reviewed several control and compliance areas including those pertaining to maintenance of written policies and procedures, cash receipts\collections, cash disbursements, purchasing, travel, and others. Certain of these areas were identified as having opportunities for improvement.

Recommendation: While the EBRSO maintains written policies and procedures over most transactions and significant areas, it was noted that these written policies and procedures could be strengthened to reflect certain best practices as recommended by the legislative auditor, particularly those regarding cash receipts\collections, payroll processing, travel expenses and ethics laws.

Condition: Additionally, a best practice for cash disbursements is to restrict the ability of persons involved in the bill payment process to establish vendors in the accounts payable system. Several instances were noted where that restriction was lacking.

Recommendation: A review of those individuals with access to set up vendors should be undertaken and where possible access to vendor set-up limited through software access rights.

Condition: The EBRSO has a process to review fuel card transactions that appear on monthly billings to ensure usage is limited to EBRSO purposes; however, the documentation of that process could be improved.

Recommendation: We recommend that documentation of the review of fuel card usage be clearly documented including consideration of business purpose.

Condition: Certain contracts fall outside of State Bid Law requirements for the formal bid process.

Recommendation: Best practice indicates that for those contracts, it may be beneficial to seek quotes to ensure that a competitive price is obtained.

Management's Response: *The East Baton Rouge Sheriff's Office (EBRSO) will update all policies and procedures as necessary to continue to strengthen and improve internal controls. The EBRSO will specifically address the areas of cash disbursements, payments to vendors, vendor setup, and contracting for services that fall outside of state bid law thresholds.*

2017-2 Segregation of Duties Over Cash Collections

Condition: An important feature of internal controls over accounting functions is proper segregation of duties over the various points of a transaction cycle. For cash collections, this is particularly important when it comes to segregation between cash handling and reconciliation. We noted that for prisoner accounts, the same individual collects cash receipts, posts payments, to accounts, and reconciles accounts.

Recommendation: Certain cash collection points were noted to have inadequate segregation of duties between collection and reconciliation. It is recommended that these functions be divided between different individuals in order to provide adequate controls over the cash balances.

Management's Response: During the fiscal year, a key employee in the inmate accounts department resigned. Her duties were absorbed by the department head which caused the segregation of duties issue. The EBRSO has since hired an employee to fill this vacant position and has updated policies and procedures to ensure proper segregation of duties over the cash collection and reconciliation process.

2017-3 Accounting for Grant Funds

Condition: Receipt and disbursement of grant funding presents unique challenges in order to ensure that the revenue and expenditures are tracked and reported properly. Additionally, disbursements related to grant revenue require separate tracking to ensure compliance with the underlying grant regulations.

Recommendation: It is recommended that the EBRSO consider alternatives to its present method for grant accounting. Possible solutions include setting up a separate fund for the grant revenue or creating unique accounts to separate this funding and disbursement from the ongoing operations of the organization.

Management's Response: The EBRSO accounts for grant funds in its general fund. However, the EBRSO utilizes departmental code accounting for its grants with each grant being assigned a unique department code to properly segregate and account for grant revenues and expenditures. The EBRSO believes its current accounting structure for grants allows proper accounting of grant revenues and expenditures.

2017-4 Reconciliations of Fiduciary Funds

Condition: While sub-ledgers\case listings are maintained for balances held in the EBRSO's Fiduciary Funds for the benefit of others (seizures, sheriff sales, garnishments, bonds and evidence cash) in accordance with best practices, these sub-ledgers are not being fully reconciled to general ledger on a monthly basis. Additionally, outdated and miscellaneous reconciling items are present on the reconciliations, without evidence of review, research and needed correction.



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Recommendation: The Sheriff's Office should take steps thoroughly reconcile the subsidiary ledgers\ case listings and to research and correct the reconciliations of the Fiduciary Funds on a monthly basis.

*Management's
Response:*

The EBRSO currently reconciles the fiduciary funds sub-ledgers to the general ledger on a yearly basis at the end of each fiscal year. The EBRSO will update its policies and procedures to reconcile these sub-ledgers to the general ledger on a monthly basis to provide for better controls over the reconciliation process.

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

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

Sincerely,

Postlethwaite + Netterville

STATUS OF PRIOR YEAR REPORT TO MANAGEMENT

2016-1 Federal Programs Internal Control and Procurement Policies

Condition: The Federal Office of Management and Budget adopted the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards that is codified in Title 2 U.S. *Code of Federal Regulations* Part 200 which is commonly referred to as Uniform Guidance. The Uniform Guidance requires new compliance requirements for expending federal funds for grants received after December 26, 2014. One set of new requirements is the Procurement Standards contained in Subpart D of the Uniform Guidance. These procurement rules differ from what is required in State Law for purchasing. The implementation date for these new procurement standards was deferred for two years so that entities can take the steps necessary to implement the necessary procedures to comply with the requirements. As such, **written** policies and procedures should be in place to ensure purchases made with federal funds comply with these new requirements. In addition, the Uniform Guidance requires entities receiving federal awards to establish and maintain a system of internal controls over compliance with the federal awards.

Recommendation: **Written** policies and procedures should be prepared and implemented to make sure the new federal procurement standards are being followed when purchases are made with federal grants. Additionally, a system of internal control over compliance with federal award requirements should identified and established as required by Uniform Guidance.

Management's Response: *Management is aware of the new federal procurement standards and will update its policies and procedures accordingly. Additionally, management will review its internal controls over compliance with federal awards programs to ensure they are in compliance with Uniform Guidance.*

Current Status: *The effective date of the Procurement Standards was once again postponed and they are now effective for grants and awards made after December 26, 2017. Management is aware of the effective date and is updating its procurement policies and procedures accordingly.*

EAST BATON ROUGE PARISH SHERIFF

**STATEWIDE AGREED UPON PROCEDURES
ON CONTROL AND COMPLIANCE AREAS**



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STATEWIDE AGREED UPON PROCEDURES
ON CONTROL AND COMPLIANCE AREAS

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Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Year Ended 2017

To Sheriff Sid Gautreaux and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the East Baton Rouge Sheriff's Office (EBRSO) 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 July 1, 2016 through June 30, 2017. The EBRSO'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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues.

Written Policies and Procedures

1. Obtain the EBRSO'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 EBRSO does not have any written policies and procedures), as applicable:

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

No exceptions noted.

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 or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

c) ***Disbursements***, including processing, reviewing, and approving.

No exceptions noted.

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

Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy. Additionally, many aspects of the policies and procedures lacked the required attributes including frequency of deposits, the individual responsible for making deposits, distinction of subsystem (such as case management or prison), and reconciliation of subsystem to G\L and separation of duties.

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

Policies lack detail on the description of tasks and timing of payroll processing and on leave and attendance for exempt employees

- 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

The policy lacks requirements for standard terms and conditions.

- 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

No exception noted.

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

The policy lacks indication of required approvers.

- 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 EBRSO's ethics policy.

a.) The policy lacks the following: the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 b.) actions to be taken if an ethics violation takes place c.) system to monitor possible ethics violations d.) requirement that all employees, including elected officials, annually attest through signature verification that they have read the EBRSO's ethics policy.

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

No exception noted.

Board (or Finance Committee, if applicable)

2. Obtain and review 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.

For purposes of this procedure, we considered the managing board meetings to be those between the Sheriff and his senior ranking staff. No charter or legislation dictates the frequency of those meetings; therefore the benchmark applied for purposes of this comparison was monthly. Our procedures revealed that the meetings occurred only six months out of the year.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. 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.

The minutes showed that the EBR Sheriff and staff only reviewed Budget to Actual comparisons in one of the six meetings of the year the meeting in which the Sheriff released the 2017 revised budget (in June 2017). No formal plan to eliminate deficits was necessary since the EBRSO's general fund balance is positive.

- 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.

No exceptions noted.

Bank Reconciliations

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

No exceptions noted.

4. Using the listing provided by management, select all of the EBRSO'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). 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;

No exceptions noted.

- 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;

1 out of 480 bank reconciliation was not reviewed

- 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.

72 out of 480 bank reconciliations had outstanding items greater than 6 month and contained no evidence of management's research.

Collections

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

No exceptions noted.

6. Using the listing provided by management, select all of the EBRSO'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 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 a board member or an outside party) and 3) not required to share the same cash register or drawer.

For one of the six locations selected for our procedures, one location, the one in which civil division collections are received, has the same individual responsible for collecting cash and checks and recording those collections into the case management system (which feeds into GL).

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the EBRSO 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 location selected.

For one of the six locations subjected to the procedures, the Parish Prison; the same person is responsible for cash collections and making the deposits, and for reconciling cash collections.

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

- Using EBRSO 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.

For the Parish Prison Bonding Account, two days' collections were deposited into the bank beyond one day of collection; one within four days and one within three days.

- 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.

No exception noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the EBRSO has a process specifically defined (identified as such by the EBRSO) 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 of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

According to written documentation (policies and procedures), the EBRSO does not have a process to determine completeness of all collections by a person who is not responsible for collections.

Disbursements – Other General

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

No exception noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the EBRSO 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:

- 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.

No exceptions noted.

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

No exceptions noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order (P.O.), or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

For 2 of the 25 disbursements selected, no purchase orders were issued. However, these disbursements were for on-going recurring purchases whose quantities are not pre-determined by the EBRSO and "ordered". Issuance of a P.O. in these circumstances is not customarily performed according to EBRSO standard procedures.

10. Using EBRSO 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 EBRSO's purchasing/disbursement system.

2 of the 4 persons responsible for processing payments can also set-up vendors in the system.

11. Using EBRSO 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.

No exceptions noted.

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, review EBRSO documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

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.

Authorized signatures for checks are applied by the accounts payable system upon printing of checks. The authorized signer is provided the printed checks and a listing thereof for review. However, the checks are not maintained and controlled by the authorized signer until mailed.

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.

No exceptions noted.

15. Using the listing prepared by management, randomly select ten cards (or at least one-third if the EBRSO has less than ten cards) that were used during the fiscal period. Obtain the monthly statements, or combined statements 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.

No exceptions noted.

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

No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the 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).

No exceptions noted.

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

7 of the 10 cards selected were FuelTrac cards issued to deputies/drivers of units. Fuel purchases through FuelTrac cards did not have an explicitly documented business purpose. A statement containing all transactions for all cards and that identifies the card user, the vehicle, and other information is maintained that implies business use, however, positive determination or documentation of business purpose is not present on the face of the statement. No exceptions were noted for the non-fuel credit cards.

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

No exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the EBRSO'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.

No exceptions noted.

- c) For each transaction, compare the EBRSO'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.

No exceptions noted.

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.

No exceptions noted.

18. Obtain the EBRSO'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 (GSA) and report any rates that exceed the GSA rates.

No exceptions noted.

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 EBRSO does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions noted.

- c) Compare the EBRSO'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.

No exceptions noted.

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

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.

No exceptions noted.

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 or the Louisiana Legislative Auditor). 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.

No exceptions noted.

- 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 (bid law) and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the EBRSO complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder). *Not applicable.*

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

4 of the 5 contracts selected were not subject to the bid law. In procurement of these contracts, the EBRSO did not solicit quotes.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

- 22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, 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.

No exceptions noted.

- 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.

No exceptions noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees and:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

24. Obtain from management a list of those employees 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. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

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.

No exceptions noted.

Ethics

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

1 employee did not complete Ethics training in 2017. However, EBRSO could not require the employee to complete the training during his time on medical leave for the majority of the year

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

No exceptions noted.

Debt Service

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

No exceptions noted.

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

No exceptions noted.

30. If the EBRSO 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.

Not applicable.

Other

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

No exceptions noted.

32. Observe and report whether the EBRSO 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.

No exceptions noted.

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

No exceptions noted.

Corrective Action

34. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attached Corrective Action Plan.



We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the EBRSO and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Postlethwaite + Netterville

December 12, 2017



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Management's Response to Agreed-Upon Procedures Report

Written Policies and Procedures – 1d, 1e, 1f, 1h, 1i

The East Baton Rouge Sheriff's Office (EBRSO) will continue to review and refine its policies and procedures over all accounting functions and will incorporate the Louisiana Legislative Auditor's Best Practices in all areas when practicable.

Board – 2b

The EBRSO generally meets with the Sheriff twice a year to discuss the budget and budget-to-actual results. Additional meetings are held when necessary. These meetings are not formalized or documented. The EBRSO will begin holding quarterly budget meetings with the Sheriff. These meetings will be documented as to individuals present and major items discussed.

Bank Reconciliations – 4c

The EBRSO will review its policies and procedures as it relates to outstanding items greater than 6 months as of the end of the fiscal year and make appropriate changes going forward.

Collections – 6b

The EBRSO is aware of the employee responsible for both collecting checks and recording those collections into the case management system. Due to limitations in staffing and funding, this is a risk the EBRSO has accepted. The EBRSO will continue to have a separate employee deposit the checks and reconcile the deposit back to the case management daily report. The EBRSO will review its policies and procedures over this function to determine if further segregation of duties can be accomplished or other mitigating controls that can be put into place.

Collections 6c

The EBRSO is aware of the time lapse between collecting cash and checks in the Parish Prison Bonding Department and depositing these funds by the Finance Division. Management will continue to monitor this department to ensure timely deposit of collections by the Parish Prison Bonding Department.

Collections – 7

The EBRSO will review its policies and procedures and address the issue of completeness of collections.

Disbursements – 9c

The EBRSO does not utilize purchase orders for all payments made by the office. The EBRSO will continue to review its policies and procedures over disbursements to ensure best practices are followed where practicable.

Disbursements – 10

The EBRSO will review all user access in the accounting software to address any incongruent functions such as individuals responsible for processing payments not having access to setup vendors.

Disbursements 13

The EBRSO will ensure that all signed checks are given by the authorized signer after their review to an individual who did not process the checks for mailing.

Credit Cards/Debit Cards/Fuel Cards/P-Cards – 16a

The EBRSO will discuss with FuelTrac all reports available to track proper business use of FuelTrac cards by EBRSO employees. Additionally, we will discuss any automatic notifications or exception reports available to the Fleet Division Captain for more timely review and oversight of Fuel Card use.

Contracts – 21c

The EBRSO will continue to follow all provisions of the Louisiana Bid Law when it comes to contracting services. The EBRSO will, at its discretion, solicit quotes and/or bids for contracts not requiring formal bid.

Ethics – 26

It is the policy of the EBRSO that all employees complete the required state ethics training annually. The one employee noted in the exception was on duty-related injury leave for 11 ½ months during the year and was not able to complete the training. Upon his return to work, the employee has completed the required state ethics training in compliance with EBRSO policy.