

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2019



Postlethwalte & 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, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule, the Schedule of Changes in Total Other Post-Employment Benefit Plan Liability and Related Ratios, the Schedule of Proportionate Share of the Net Pension Liability – Sheriffs' Pension and Relief Fund, and the Schedule of the Employer's Contributions to the Sheriff's Pension and Relief Fund, presented on pages 4 through 9, page 35, page 36, page 37, and page 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2019 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 18, 2019

REQUIRED
SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

This section of the East Baton Rouge Parish Sheriff's (the Sheriff's) annual financial report provides a narrative discussion and analysis of the financial activities of the Sheriff for the fiscal years ended June 30, 2019 and 2018. 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 \$46.1 million for the fiscal year ended June 30, 2019 compared to the deficit of approximately \$51.6 million (as restated) for fiscal year ended June 30, 2018. This deficit net position reflects the application of impactful accounting standards in recent years. As described in note 7 to the financial statements, the Sheriff is required to record his proportionate share of net pension liability for the defined benefit pension plan in which his office participates. Additionally, the Sheriff is required to recognize and report his total other post-employment benefit liability. See note 8 to the financial statements. These two liabilities account for approximately \$73 million of the total liabilities.
- Total revenues of approximately \$99.5 million exceeded total expenses of approximately \$93.9 million, resulting in an increase in the net position of approximately \$5.6 million for the year ended June 30, 2019. For the year ended June 30, 2018, total revenues of approximately \$99.1 million exceeded total expenses of \$91.6 million, resulting in a increase in net position of approximately \$7.5 million for that year.
- The Sheriff's governmental funds contained total ending fund balances of approximately \$22.2 million and \$19.7 million as restated as of June 30, 2019 and 2018, respectively. This level of fund balance provides a reasonably adequate level of operating reserves for the near-term.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$10.0 million and \$11.4 million for the years ended June 30, 2019 and 2018, respectively. This investment in capital assets includes property and equipment net of accumulated depreciation and debt used to purchase or fund the assets.
 - (2) Restricted net position of \$0.8 million and \$0.9 million for the years ended June 30, 2019 and 2018, respectively. These resources consist primarily of seized assets, net of liabilities, or other accounts whose use is restricted by statute.
 - (3) Unrestricted net position deficit of \$56.9 million and \$63.9 million for the years ended June 30, 2019 and 2018, respectively indicates net liabilities for the long-term that must be paid from future resources.

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

Overview of the Financial Statements

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The Sheriff uses governmental funds and fiduciary funds as follows:

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

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Notes to the basic financial statements

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

Other information

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

Financial Analysis

The Sheriff's net position deficit was \$46.1 million and \$51.6 million (restated) at June 30, 2019 and 2018, respectively. The following table provides a summary of the Sheriff's net position:

Summary Statement of Net Position

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|----------------------------------|------------------------------------|---|
| | <u>Governmental Activities</u> | <u>Governmental Activities (Restated)</u> |
| Assets: | | |
| Current assets | \$ 27,256,735 | \$ 26,591,333 |
| Capital assets | <u>10,980,858</u> | <u>11,383,146</u> |
| Total assets | <u>38,237,593</u> | <u>37,974,479</u> |
| Deferred Outflows of Resources | <u>15,233,659</u> | <u>11,730,044</u> |
| Liabilities: | | |
| Current liabilities | 5,022,784 | 7,773,290 |
| Long-term liabilities | <u>83,332,136</u> | <u>86,525,006</u> |
| Total liabilities | <u>88,354,920</u> | <u>94,298,296</u> |
| Deferred Inflows of Resources | <u>11,176,714</u> | <u>7,047,011</u> |
| Net position (deficit): | | |
| Net investment in capital assets | 10,047,692 | 11,383,146 |
| Restricted | 774,641 | 855,312 |
| Unrestricted | <u>(56,882,715)</u> | <u>(63,879,242)</u> |
| Total net position | <u>(\$ 46,060,382)</u> | <u>(\$ 51,640,784)</u> |

The Sheriff had \$10,047,692 and \$11,383,146 invested in capital assets at June 30, 2019 and 2018, 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 total other post-employment benefit liability, compensated absences payable, and the net pension liability were \$75,046,970 versus \$81,531,840 at June 30, 2019 and 2018, respectively. The change is primarily the result of the decrease in the net pension liability.

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, 2019</u> | <u>June 30, 2018</u> |
|--|------------------------------------|------------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> |
| Revenues: | | |
| Program: | | |
| Fees, charges and commissions for services | \$ 22,942,901 | \$ 23,700,107 |
| Grants and contributions | <u>2,180,902</u> | <u>2,912,595</u> |
| | <u>25,123,803</u> | <u>26,612,702</u> |
| General: | | |
| Ad valorem taxes | 66,385,792 | 65,142,999 |
| State grants not restricted to specific programs | 4,159,716 | 4,201,022 |
| Interest income | 722,199 | 541,525 |
| Gain (loss) on disposal of capital assets | 2,618 | (1,090,816) |
| Contributions not restricted to specific programs | 2,573,177 | 2,666,232 |
| Miscellaneous | <u>570,657</u> | <u>1,008,213</u> |
| Total revenues | <u>99,537,962</u> | <u>99,081,877</u> |
| Expenses: | | |
| Public safety: | | |
| Personnel services and benefits | 68,987,878 | 65,400,869 |
| Operating services | 14,224,508 | 14,505,471 |
| Materials and supplies | 8,627,828 | 9,788,963 |
| Transporting and other charges | <u>2,117,346</u> | <u>1,921,635</u> |
| Total expenses | <u>93,957,560</u> | <u>91,616,938</u> |
| Change in net position | 5,580,402 | 7,464,939 |
| Beginning net position, restated for June 30, 2018 | (<u>51,640,784</u>) | (<u>57,706,531</u>) |
| Ending net position | (\$ <u>46,060,382</u>) | (\$ <u>50,241,592</u>) |

REVENUES

Ad-valorem taxes funded approximately 66% and 67% of the Sheriff's operations for the years ended June 30, 2019 and 2018, respectively. Ad-valorem taxes in terms of dollars, increased \$1,242,793 or 2%. Program revenues consist of fees, charges and commissions for services as well as operating grants and contributions. Program revenues from fees, charges, and commissions for services funded 23% and 24% of operations for the years ended June 30, 2019 and 2018, respectively. Those revenues decreased approximately \$757,000 or 3% as a result of decreased revenues collected from the City-Parish government for feeding and housing prisoners (primarily out-of-state prisoners). Grants and contributions comprised 2% and 3% of revenue for the years ended June 30, 2019 and 2018, respectively. Those revenues decreased approximately \$732,000 due to federal assistance received in fiscal year 2018 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 approximately \$3.6 million or 5%. The increased personnel expenses are attributable to pay adjustments, an increase in the self-insurance health claims liability, and increased overtime. Operating service expenses remained stable with an approximate decrease of \$281,000 or 2%. This is primarily the result of a decrease in the estimate for general and auto liability claims. Expenses for materials and supplies decreased approximately \$1.2 million or 12% as a result of decreased out-of-parish prisoner maintenance costs. Transporting and other costs increased approximately \$196,000 or 10% as a result of increased deputy training costs and community outreach.

Financial Analysis of the Sheriff's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of approximately \$22.2 million and \$19.7 million at June 30, 2019 and 2018, respectively. The fund balance as of June 30, 2019 represents approximately 24% of annual expenditures. This level of fund balance is necessary to allow the Sheriff to sustain operations during periods of decreased revenues without having to obtain significant short or long-term borrowings to fund operations. The Sheriff's management team is monitoring the fund balance level to ensure it is maintained at an adequate level.

Budgetary Highlights

The General Fund — The original budget for the General Fund included anticipated revenues of approximately \$96.5 million and \$91.1 million for the years ended June 30, 2019 and 2018, respectively, an increase of approximately \$5.4 million from 2018 to 2019. For the fiscal year ended June 30, 2019, the budget was amended to reflect net changes among various revenue accounts for a decrease totaling approximately \$600,000. This budget decrease is attributable to lower revenues associated with feeding and keeping of prisoners offset by some increases from fees and miscellaneous revenues. The total actual revenues of \$96.5 million, as reported in the General Fund, were greater than the amended budget by approximately \$536,000.

The original budget for the General Fund included anticipated expenditures of approximately \$95.1 million and \$90.1 million for the years ended June 30, 2019 and 2018, respectively, an increase of approximately \$5 million from 2018 to 2019. For the year ended June 30, 2019, the budget was amended to reflect a decrease of approximately \$733,000 in anticipated expenditures. The total actual expenditures of \$94.0 million, as reported in the General Fund, were less than the amended budget by approximately \$418,000.

Overall, the net change (increase) in fund balance for the year ended June 30, 2019 of \$2.6 million resulted from higher than anticipated General Fund revenues combined with lower than expected expenses, and results in an increase in financial reserves.

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 \$10,980,858, net of accumulated depreciation of \$19,813,824 at June 30, 2019 and \$11,383,146 net of accumulated depreciation of \$18,593,123 at June 30, 2018. Under the Sheriff's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting. All assets with a cost of \$500 or more, as well as certain assets with a cost of less than \$500, are inventoried and tracked. This has no financial statement impact. See Note 3 within the notes to the financial statements for additional information about changes in capital assets during the fiscal year and the balance at the end of the year.

The following table provides a summary of capital asset categories:

| <u>Capital Assets</u> | | |
|--|-------------------------|-------------------------|
| <u>(net of accumulated depreciation where applicable)</u> | | |
| | <u>6/30/2019</u> | <u>6/30/2018</u> |
| Land | \$ 68,566 | \$ 68,566 |
| Work-in-progress | - | 44,603 |
| Buildings | 2,332,701 | 2,286,248 |
| Vehicles | 5,056,928 | 5,185,002 |
| Office furniture & equipment | 266,588 | 264,274 |
| Law enforcement equipment | 2,943,446 | 3,179,125 |
| Telecommunications equipment | <u>312,629</u> | <u>355,328</u> |
| Capital assets | <u>\$ 10,980,858</u> | <u>\$ 11,383,146</u> |

At June 30, 2019 and 2018, the depreciable capital assets for governmental activities were 64% and 62% depreciated, respectively.

Long-term liabilities

The Sheriff has no long-term bonded debt or borrowings outstanding at June 30, 2019. Other long-term liabilities consisted of total other post-employment benefits liability of \$48,493,782; general liability and auto claims payable of \$2,500,000, compensated absences of \$7,235,790, leases payable of \$933,166, and the net pension liability of \$24,169,398 as of June 30, 2019. These long-term liabilities decreased approximately \$3.2 million in total from June 30, 2018 primarily as a result of a decrease in net pension liability (see Note 7).

Economic Conditions and Budgets of Future Periods

In setting the fiscal year 2020 General Fund budget, property tax revenues were projected to increase by approximately 2%. Federal grant revenues are expected to increase as a result of a HUD grant to purchase vehicles. Expenditures are expected to increase because of more expenditures related to personnel and services.

Contacting the Sheriff's Financial Management

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

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF NET POSITION

June 30, 2019

ASSETS

| | |
|---------------------------------------|-------------------|
| Cash | \$ 23,468,564 |
| Receivables | 2,156,645 |
| Due from other governments | 1,387,038 |
| Other | 244,488 |
| Capital assets not being depreciated: | |
| Land | 68,566 |
| Capital assets, net of depreciation | 10,912,292 |
| Total assets | <u>38,237,593</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|-------------------|
| Deferred pension contributions | 5,531,835 |
| Deferred outflow amounts related to total other post-employment benefits | 1,702,669 |
| Deferred outflow amounts related to pension liability | 7,999,155 |
| Total deferred outflows of resources | <u>15,233,659</u> |

LIABILITIES

| | |
|---|-------------------|
| Accounts payable and accrued liabilities | 2,793,691 |
| Health claims payable | 1,800,000 |
| Due to others | 429,093 |
| Long-term liabilities: | |
| Due in one year: | |
| Lease payable | 933,166 |
| Compensated absences payable | 5,200,000 |
| Total other post-employment benefit liability | 2,152,000 |
| Due in more than one year: | |
| Compensated absences payable | 2,035,790 |
| General liability and auto claims payable | 2,500,000 |
| Total other post-employment benefit liability | 46,341,782 |
| Net pension liability | 24,169,398 |
| Total liabilities | <u>88,354,920</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|-------------------|
| Deferred inflow amounts related to total other post-employment benefits | 1,342,889 |
| Deferred inflow amounts related to pension liability | 9,833,825 |
| Total deferred inflows of resources | <u>11,176,714</u> |

NET POSITION

| | |
|----------------------------------|------------------------|
| Net investment in capital assets | 10,047,692 |
| Restricted | 774,641 |
| Unrestricted | (56,882,715) |
| Total net deficit | <u>\$ (46,060,382)</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, 2019

| | Program Revenues | | | Net (Expense) Revenues and Changes in Net Position |
|---|-------------------------|--|---|---|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Public Safety | <u>\$ 93,957,560</u> | <u>\$ 22,942,901</u> | <u>\$ 2,180,902</u> | <u>\$ (68,833,757)</u> |
| General revenues: | | | | |
| Ad valorem taxes | | | | 66,385,792 |
| State grants not restricted to specific programs | | | | 4,159,716 |
| Interest income | | | | 722,199 |
| Gain on disposal of capital assets | | | | 2,618 |
| Contributions not restricted to specific programs | | | | 2,573,177 |
| Other | | | | <u>570,657</u> |
| Total general revenues | | | | <u>74,414,159</u> |
| Change in net position | | | | 5,580,402 |
| Net position - beginning, restated | | | | <u>(51,640,784)</u> |
| Net position - ending | | | | <u>\$ (46,060,382)</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, 2019

| | General Fund | Non-Major Canteen Fund | Total |
|--|----------------------|------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 22,291,791 | \$ 341,708 | \$ 22,633,499 |
| Cash restricted | 835,065 | - | 835,065 |
| Receivables | 2,156,645 | - | 2,156,645 |
| Due from other funds | 181,919 | - | 181,919 |
| Due from other governments | 1,387,038 | - | 1,387,038 |
| Other | 211,574 | 32,914 | 244,488 |
| Total assets | <u>\$ 27,064,032</u> | <u>\$ 374,622</u> | <u>\$ 27,438,654</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued liabilities | \$ 2,789,141 | \$ 4,550 | \$ 2,793,691 |
| Health claims payable | 1,800,000 | - | 1,800,000 |
| Due to other funds | - | 181,919 | 181,919 |
| Due to others | 429,093 | - | 429,093 |
| Total liabilities | <u>5,018,234</u> | <u>186,469</u> | <u>5,204,703</u> |
| <u>FUND BALANCE</u> | | | |
| Restricted | 774,641 | - | 774,641 |
| Committed | - | 188,153 | 188,153 |
| Unassigned | 21,271,157 | - | 21,271,157 |
| Total fund balances | <u>22,045,798</u> | <u>188,153</u> | <u>22,233,951</u> |
| Total liabilities and fund balances | <u>\$ 27,064,032</u> | <u>\$ 374,622</u> | <u>\$ 27,438,654</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET

TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

| | |
|---|---------------|
| Total Fund Balances for governmental funds at June 30, 2019 | \$ 22,233,951 |
|---|---------------|

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 \$19,813,824 accumulated depreciation: | 10,980,858 |
|--|------------|

Long-term liabilities at June 30, 2019:

| | |
|---|--------------|
| Total other post-employment benefits liability | (48,493,782) |
| Claims payable - general liability and auto | (2,500,000) |
| Compensated absences payable | (7,235,790) |
| Lease payable | (933,166) |
| Pension liabilities, deferred inflows and deferred outflows of resources: | |
| Net pension liability | (24,169,398) |
| Deferred inflows related to pension liability | (9,833,825) |
| Deferred outflows related to other post employment benefits | 1,702,669 |
| Deferred outflows related to pension liability | 13,530,990 |
| Deferred inflows related to other post employment benefits | (1,342,889) |

| | |
|--|------------------------|
| Total Net Position of governmental activities at June 30, 2019 | <u>\$ (46,060,382)</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, 2019**

| | General Fund | Non-Major Canteen Fund | Total |
|--|----------------------|------------------------------|----------------------|
| <u>REVENUES</u> | | | |
| Ad valorem taxes | \$ 66,385,792 | \$ - | \$ 66,385,792 |
| Intergovernmental revenues: | | | |
| Federal grants | 1,341,818 | - | 1,341,818 |
| State grants | 102,696 | - | 102,696 |
| State supplemental pay | 3,467,902 | - | 3,467,902 |
| State revenue sharing | 691,814 | - | 691,814 |
| Fees, charges, and commissions for services: | | | |
| Civil and criminal fees | 8,970,917 | - | 8,970,917 |
| Court attendance | 113,152 | - | 113,152 |
| Transporting prisoners | 353,471 | - | 353,471 |
| Feeding and keeping prisoners | 8,860,521 | - | 8,860,521 |
| Sales of merchandise | - | 76,904 | 76,904 |
| Fines and forfeitures | 198,129 | - | 198,129 |
| Narcotics seizures | 190,594 | - | 190,594 |
| Other | 3,757,943 | 421,270 | 4,179,213 |
| Interest income | 716,391 | 5,808 | 722,199 |
| Donations | 736,388 | - | 736,388 |
| Miscellaneous | 569,200 | 1,457 | 570,657 |
| Total Revenues | <u>96,456,728</u> | <u>505,439</u> | <u>96,962,167</u> |
| <u>EXPENDITURES</u> | | | |
| Public safety: | | | |
| Personnel services and related benefits | 68,134,067 | - | 68,134,067 |
| Operating services | 12,044,305 | 399,250 | 12,443,555 |
| Materials and supplies | 8,564,889 | 76,525 | 8,641,414 |
| Transporting and other charges | 2,086,673 | 30,673 | 2,117,346 |
| Payment on lease agreement | 933,166 | - | 933,166 |
| Capital outlay | 2,210,137 | - | 2,210,137 |
| Total Expenditures | <u>93,973,237</u> | <u>506,448</u> | <u>94,479,685</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,483,491 | (1,009) | 2,482,482 |
| Other financing sources: | | | |
| Sale of fixed assets | 93,426 | - | 93,426 |
| Total other financing sources | <u>93,426</u> | <u>-</u> | <u>93,426</u> |
| Net change in fund balance | 2,576,917 | (1,009) | 2,575,908 |
| FUND BALANCE AT BEGINNING OF YEAR (restated) | <u>19,468,881</u> | <u>189,162</u> | <u>19,658,043</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 22,045,798</u> | <u>\$ 188,153</u> | <u>\$ 22,233,951</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

RECONCILIATION OF THE GOVERNMENTAL FUNDS'
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balance for year ended June 30, 2019, \$ 2,575,908
per Statement of Revenues, Expenditures and Changes in Fund Balances

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

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

| | | |
|---|-----------------|---------------------|
| Purchases of capital assets | 2,223,723 | |
| Depreciation expense | (2,535,203) | |
| Net book value of capital assets disposed | <u>(90,808)</u> | (402,288) |
| Excess of compensated absences earned over compensated absences taken | | 218,622 |
| Change in general and auto claims payable | | 355,000 |
| Payment on lease | | 933,166 |
| Net change in other post-employment benefits liability and deferred inflows/outflows of resources | | (591,352) |
| Net change in pension liability and deferred inflows/outflows of resources | | <u>2,491,346</u> |
| Total change in Net Position for year ended June 30, 2019, per Statement of Activities | | <u>\$ 5,580,402</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, 2019

ASSETS

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 23,743,732 |
| Receivables | 96,882 |
| Total Assets | <u>\$ 23,840,614</u> |

LIABILITIES

| | |
|--|----------------------|
| Balance due to taxing bodies, prisoners and others | \$ 23,840,614 |
| Total Liabilities | <u>\$ 23,840,614</u> |

The accompanying notes are an integral part of this statement.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS:

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

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

FUND FINANCIAL STATEMENTS:

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Sheriff reports the following major governmental fund:

General Fund

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

The Sheriff reports the following non-major governmental fund:

Special Revenue Fund

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

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

Agency Funds

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

B. REPORTING ENTITY

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

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

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.

D. BUDGET PRACTICES

The proposed budget for the year ended June 30, 2019, was made available for public inspection and comments from taxpayers at the Sheriff's office on June 5, 2018. A public hearing was held on the proposed budget at least 10 days after publications of the call of the hearing. The proposed budget was published in the official journal ten days prior to the public hearing, which was held at the Sheriff's Office on June 26, 2018 for the comments from taxpayers. The budget was legally adopted and amended, as necessary, by the Sheriff.

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

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

E. CASH AND CASH EQUIVALENTS

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CAPITAL ASSETS

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

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

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

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

G. COMPENSATED ABSENCES

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

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FUND EQUITY OF FUND FINANCIAL STATEMENTS

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

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

Spendable

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

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

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

Unassigned – represent balances for which there are no constraints.

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

I. USE OF ESTIMATES

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

J. RESTRICTED NET POSITION

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

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

K. PENSION PLANS

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. CURRENT YEAR ADOPTION OF NEW ACCOUNTING STANDARD

The Sheriff adopted the Governmental Accounting Standards Board Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

In March 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The statement clarifies the definition of debt for disclosure purposes and expands the required debt disclosures to provide or detail about governmental obligations. GASB 88 defines debt for purposes of disclosures as a liability that arises from a contractual obligation to pay cash (or another financial asset) in one or more payments to settle an amount that is fixed at the date when the contractual obligation is established. GASB 88 requires that direct borrowings and placements be disclosed separately from other types of debt and also provides additional guidance for disclosures related to debt. The provision of GASB 88 are effective for financial statements for periods beginning after June 15, 2018. Additional disclosures are included in Note 14.

M. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84 – *Fiduciary Activities*. The accounting guidance clarifies when a government has fiduciary responsibility and outlines how fiduciary activities are to be reported and disclosed. Statement No. 84 will be effective for annual periods beginning after December 15, 2018.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87 – *Leases*. The accounting guidance outlines new accounting and financial reporting requirements for leases. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement No. 87 will be effective for annual periods beginning after December 15, 2019.

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

2. PROPERTY TAXES

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

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY TAXES (continued)

The 2018 property tax calendar is as follows:

| | |
|------------------------|--------------------|
| Levy date: | October 31, 2018 |
| Millage rates adopted: | October 31, 2018 |
| Tax bills mailed: | November 21, 2018 |
| Due date: | December 31, 2018 |
| Lien date: | September 25, 2019 |

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

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

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

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, 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 | 44,603 | - | (44,603) | - |
| Buildings | 3,940,005 | 173,725 | (8,269) | 4,105,461 |
| Vehicles | 17,784,559 | 1,564,798 | (1,218,514) | 18,130,843 |
| Office furniture and equipment | 1,698,862 | 144,503 | (7,776) | 1,835,589 |
| Law enforcement equipment | 5,942,796 | 385,300 | (170,751) | 6,157,345 |
| Telecommunications equipment | 496,878 | - | - | 496,878 |
| Total | <u>29,976,269</u> | <u>2,268,326</u> | <u>(1,449,913)</u> | <u>30,794,682</u> |
| <u>Accumulated Depreciation</u> | <u>(18,593,123)</u> | <u>(2,535,203)</u> | <u>1,314,502</u> | <u>(19,813,824)</u> |
| Total Capital Assets (net) | <u>\$ 11,383,146</u> | <u>\$ (266,877)</u> | <u>\$ (135,411)</u> | <u>\$ 10,980,858</u> |

For the year ended June 30, 2019, depreciation expense was \$2,535,203.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

At June 30, 2019, the Sheriff has cash and cash equivalents consisting solely of deposits in financial institutions. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Custodial credit risk is the risk that an entity may fail to receive its deposits upon failure of a financial institution. To protect against such risks, the market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. Standby letters of credit from federally sponsored lending institutions can also be used to protect against this risk. At June 30, 2019, the deposits are not exposed custodial credit risk as a result of an adequate level of pledged securities, standby letters of credit and FDIC insurance. The Sheriff does not maintain a separate custodial credit risk policy.

5. RECEIVABLES

Receivables at June 30, 2019 are as follows:

| | | |
|---|----|------------------|
| Feeding, keeping and transporting prisoners | \$ | 607,438 |
| Grant revenue | | 405,456 |
| Fees, charges and commissions | | 531,952 |
| Taxes | | 489,044 |
| Other | | 122,755 |
| | \$ | <u>2,156,645</u> |

6. RESTRICTED ASSETS ON NET POSITION

Restricted cash held in the general fund of \$835,065 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 \$774,641 represents these same funds received less amounts due to others at June 30, 2019.

7. PENSION PLAN

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

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

Plan Description

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

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, 2019, the actual employer contribution rate was 12.25%. Employer contributions for the year ended June 30, 2019 were \$5,531,835. 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, 2019 were \$2,573,177.

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, 2019, the Sheriff reported a liability of \$24,169,398 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, 2018 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, 2018. At June 30, 2019, the Sheriff's proportion was 6.3029%, which was a decrease of 0.4139% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Sheriff recognized pension expense of \$5,613,666.

At June 30, 2019, the Sheriff reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ (6,784,730) |
| Changes of assumptions | 7,144,814 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (1,434,772) |
| Changes in proportion | 828,343 | (1,551,142) |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | - | - |
| Contributions in excess (deficiency) of required amount | 25,998 | (63,181) |
| Employer contributions subsequent to the measurement date | 5,531,835 | - |
| Total | <u>\$ 13,530,990</u> | <u>\$ (9,833,825)</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

The Sheriff reported a total of \$5,531,835 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

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

| <u>Year</u> | <u>LSPRF</u> |
|-------------|-----------------------|
| 2019 | \$ 1,292,418.0 |
| 2020 | 107,518 |
| 2021 | (2,679,649) |
| 2022 | (424,093) |
| 2023 | (130,864) |
| | <u>\$ (1,834,670)</u> |

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

| | |
|---|---|
| Valuation Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Expected Remaining Service Lives | 6 years |
| Investment Rate of Return | 7.25%, net of investment expense |
| Projected salary increases | 5.5% (2.60% inflation, 2.90% merit) |
| Mortality | RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table for disabled annuitants |

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLAN (continued)

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, 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------------|--------------------------|---|
| Equity Securities | 62% | 4.30% |
| Fixed Income | 23% | 0.70% |
| Alternative Investments | 15% | 0.70% |
| Total | 100% | 5.70% |
| Inflation | | 2.50% |
| Expected Arithmetic Nominal Return | | 8.20% |

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

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 | 6.25% | 7.25% | 8.25% |
| EBRSO Share of NPL (Asset) | \$54,698,579 | \$24,169,398 | (\$1,532,679) |

Amounts Payable to Pension Plans

The Sheriff had amounts due to the Retirement System of approximately \$790,000 at June 30, 2019.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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

General Information about the OPEB Plan

Plan Description – The Sheriff provides certain continuing health care and life insurance benefits for its retired employees. The Sheriff's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Sheriff. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Sheriff as provided by enabling legislation. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – Medical and life insurance benefits are provided to employees upon actual retirement. Retirees with less than twenty years of service at retirement pay 100% of the blended medical premium, while a reduced schedule based on the blended premiums applies to retirees with twenty or more years of service at retirement. Employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions 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 based on a blended rate for active employees and retirees. The retiree pays 100% of the "cost" of the retiree's life insurance after retirement but that "cost" is based on the blended active/retired rate and there is thus an additional implied subsidy.

Employees covered by benefit terms – At July 1, 2017, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 106 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>822</u> |
| | <u>928</u> |

Total OPEB Liability

The Sheriff's total OPEB liability of \$48,493,782 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and other inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.5% |
| Salary increases | 4.0%, including inflation |
| Discount rate | 3.87% annually (beginning of year to determine ADC) |
| | 3.50% annually (as of end of year measurement date) |
| Healthcare cost trend rates | Flat 5.5% annually |

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation AA rated municipal bond index as of the measurement dates.

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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

Changes in the Total OPEB Liability

| | |
|--|----------------------|
| Balance at June 30, 2018 | \$ 46,103,840 |
| Changes for the year: | |
| Service cost | 860,214 |
| Interest | 1,744,758 |
| Differences between expected and actual experience | 89,926 |
| Changes of assumptions | 1,734,362 |
| Benefit payments and net transfers | (2,039,318) |
| Net changes | <u>2,389,942</u> |
| Balance at June 30, 2019 | <u>\$ 48,493,782</u> |

The amount of total OPEB liability estimated to be due and payable within one year is \$2,152,000.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Sheriff, as well as what the Sheriff's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

| | 1.0% Decrease (2.50%) | Current Discount (3.50%) | 1.0% Increase (4.50%) |
|----------------------|----------------------------------|-------------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 54,117,447</u> | <u>\$ 48,493,782</u> | <u>\$ 43,778,519</u> |

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

| | 1.0% Decrease (4.5%) | Current Trend (5.5%) | 1.0% Increase (6.5%) |
|----------------------|---------------------------------|---------------------------------|---------------------------------|
| Total OPEB Liability | <u>\$ 43,462,268</u> | <u>\$ 48,493,782</u> | <u>\$ 54,491,911</u> |

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

For the year ended June 30, 2019, the Sheriff recognized OPEB expense of \$2,630,670. At June 30, 2019, the Sheriff reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 83,931 | (\$ 140,555) |
| Changes in assumption and other inputs | \$ 1,618,738 | (\$ 1,202,334) |
| Total | <u>\$ 1,702,669</u> | <u>(\$ 1,342,889)</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

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

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

| Years Ending June 30,: | |
|------------------------|-------------------|
| 2020 | \$ 25,698 |
| 2021 | 25,698 |
| 2022 | 25,698 |
| 2023 | 25,698 |
| 2024 | 25,698 |
| 2025-2029 | 128,485 |
| 2030-2033 | <u>102,805</u> |
| | <u>\$ 359,780</u> |

9. CHANGES IN AGENCY FUNDS

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

| | Sheriff's Fund | Prison Inmate Fund | Tax Collector Fund | Evidence Fund | Total |
|------------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|
| Balance, July 1, 2018 | \$ 8,469,610 | \$ 298,981 | \$ 11,379,479 | \$ 1,190,358 | \$ 21,338,428 |
| Additions | 33,973,117 | 640,430 | 532,742,556 | 442,482 | 567,798,585 |
| Reductions | <u>(33,476,756)</u> | <u>(607,134)</u> | <u>(530,851,896)</u> | <u>(360,613)</u> | <u>(565,296,399)</u> |
| Balance, June 30, 2019 | <u>\$ 8,965,971</u> | <u>\$ 332,277</u> | <u>\$ 13,270,139</u> | <u>\$ 1,272,227</u> | <u>\$ 23,840,614</u> |

10. TAXES PAID UNDER PROTEST

Amounts held in escrow for protested taxes at June 30, 2019, were \$7,941,168, 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, 2019, the Sheriff was a defendant in multiple lawsuits in the ordinary course of business. These suits, arising from various claims involving worker's compensation issues, automobile accidents (subject to \$100,000 deductible), police misconduct, general liability (subject to \$25,000/\$100,000 plus a \$100,000 corridor deductible) and others are mostly covered through private insurance policies. However, the Sheriff is exposed for certain uninsured claims and deductibles. An estimate of \$2,500,000 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 an insurance policy covering the claims in excess of that amount. For duty related claims, the excess policy is limited to \$2,000,000 per individual per year. The excess policy also covers the aggregate of claims below \$150,000 in excess of the annual attachment point, up to a \$1,000,000 limit. For the year ended June 30, 2019, the minimum annual attachment point was \$10,168,465.

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

| | |
|---|---------------------|
| Unpaid claims as of July 1, 2018 | \$ 1,540,000 |
| Current year claims incurred and changes in estimates | 7,577,336 |
| Claims paid | <u>(7,317,336)</u> |
| Unpaid claims as of June 30, 2019 | <u>\$ 1,800,000</u> |

The above unpaid claims as of June 30, 2019, 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, 2019, employees of the Sheriff have accumulated and vested \$7,235,790 of employee leave benefits according to the Sheriff's PTO policy, which were computed in accordance with GASB Classification Section C60. The following is a summary of the compensated absence liability activity during the year:

| | Compensated Absences |
|-----------------------------|-------------------------|
| Balance as of July 1, 2018 | \$ 7,454,412 |
| Additions (amounts earned) | 4,776,242 |
| Deductions (amounts paid) | <u>(4,994,864)</u> |
| Balance as of June 30, 2019 | <u>\$ 7,235,790</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

12. COMPENSATED ABSENCE LIABILITY (continued)

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

| | | |
|--|----|------------------|
| Compensated absences - due within one year | \$ | 5,200,000 |
| Compensated absences - due in more than one year | | 2,035,790 |
| Total compensated absences | \$ | <u>7,235,790</u> |

13. INTERFUND TRANSACTIONS

| | Interfund Receivable | Interfund Payable |
|--------------|-------------------------|----------------------|
| General Fund | \$ 181,919 | \$ - |
| Canteen Fund | - | 181,919 |
| | <u>\$ 181,919</u> | <u>\$ 181,919</u> |

14. SHORT-TERM BORROWINGS AND CAPITAL LEASE

In order to finance operations until the collection of property tax revenues, the Sheriff obtained a direct borrowing short-term loan. The interest rate on the loan was 2.66%. The amount available for draw and the amount drawn was \$16,500,000. The loan was repaid in full in January of 2019. Interest paid on the loan was \$79,837 during fiscal year 2019.

During fiscal year 2016, the Sheriff entered into a direct borrowing financed purchase (capital lease) agreement in order to purchase new radios for law enforcement vehicles and the supporting centralized equipment. The total financed was \$2,799,498 at 0% interest. The radios and centralized equipment are pledged as collateral for the direct borrowing. In the event of default or termination, the Lessor may declare all amounts due and payable and request that the equipment be returned to the Lessor. In the event of termination as a result of non-appropriation of funds, the Sheriff will pack and return for shipment the equipment with freight prepaid. The lease has scheduled payments in three annual installments of \$933,166 beginning July 1, 2017. The second installment was made in fiscal year 2019 leaving a remaining balance of \$933,166.

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------------------|----------------------|----------------------|------------------------|-------------------|
| Short-term loan | \$ - | \$ 16,500,000 | \$ (16,500,000) | \$ - |
| Lease payable | 1,866,332 | - | (933,166) | 933,166 |
| Total borrowings | <u>\$ 1,866,332</u> | <u>\$ 16,500,000</u> | <u>\$ (17,433,166)</u> | <u>\$ 933,166</u> |

The remaining lease payable balance of \$933,166 is due within one year.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

15. LEASE OBLIGATIONS

The Sheriff has entered into an operating lease agreement for vehicles used in operations. Lease expense incurred during the year ended June 30, 2019 was approximately \$526,000. The following are annual future minimum lease payments as of June 30, 2019:

| <u>Year Ending June 30,:</u> | | |
|------------------------------|----|------------------|
| 2020 | \$ | 524,750 |
| 2021 | | 489,108 |
| 2022 | | 280,343 |
| 2023 | | 151,154 |
| | \$ | <u>1,445,355</u> |

The Sheriff has also entered into various building leases which range in terms from 5 to 20 years. Building lease expense for the year ended June 30, 2019 was approximately \$112,000.

16. TAX REVENUES ABATED

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

For applications made after June 24, 2016 but before July 1, 2018, the program abates local ad valorem taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing site for up to eight years. Applications to exempt qualified property for five years are approved by the individual local taxing entities whose taxes are being abated. The exemption may be renewed for an additional three years at 80% abatement. For the fiscal year ending June 30, 2019, approximately \$7,000,000 of the Sheriff's ad valorem tax revenues were abated by the state of Louisiana through the Louisiana Industrial Tax Exemption program.

17. DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts, salaries and other payables as of June 30, 2019, were as follows:

| | | |
|--|----|------------------|
| Vendors | \$ | 1,051,986 |
| Salaries and benefits | | <u>1,741,705</u> |
| Total accounts payable and accrued liabilities | \$ | <u>2,793,691</u> |

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

18. PRIOR PERIOD RESTATEMENT

During 2018 EBRSO restated its beginning fund balance and net position (deficit) for the accrual of payroll liabilities incurred in prior years. Additionally, the beginning fund balance and net position (deficit) was restated to correct accounts payable for invoices paid in a prior period. As a result of these changes and corrections, the beginning fund balance for the General Fund and government-wide statements were adjusted as follows:

| | General Fund |
|---|-----------------|
| Fund balance, beginning of year, as previously stated | \$ 20,868,073 |
| Adjustment for prior year accounts payable | (227,876) |
| Adjustment for prior year payroll liabilities | (1,171,316) |
| Fund balance, end of year, as restated | \$ 19,468,881 |

| | Governmental Activities |
|--|----------------------------|
| Net deficit, beginning of year, as previously stated | \$ (50,241,592) |
| Adjustment for prior year accounts payable | (227,876) |
| Adjustment for prior year payroll liabilities | (1,171,316) |
| Net deficit, end of year, as previously stated | \$ (51,640,784) |

19. SUBSEQUENT EVENTS

In August 2019 the Sheriff obtained a short-term loan from a banking institution to assist with cash flow needs until property taxes are collected in December 2019. The principal amount is \$15,000,000 and payment is due March 1, 2020. The loan is secured by a pledge of revenues accruing to the Sheriff for the fiscal year 2019-2020.

EAST BATON ROUGE PARISH SHERIFF**Baton Rouge, Louisiana****BUDGETARY COMPARISON SCHEDULE****GENERAL FUND****YEAR ENDED JUNE 30, 2019**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-----------------|---------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>REVENUES</u> | | | | |
| Ad valorem taxes | \$ 66,626,000 | \$ 66,070,000 | \$ 66,385,792 | \$ 315,792 |
| Intergovernmental revenues: | | | | |
| Federal grants | 520,000 | 950,000 | 1,341,818 | 391,818 |
| State grants | 100,000 | 100,000 | 102,696 | 2,696 |
| State supplemental pay | 3,680,000 | 3,470,000 | 3,467,902 | (2,098) |
| State revenue sharing | 700,000 | 692,000 | 691,814 | (186) |
| Fees, charges, and commissions for services: | | | | |
| Civil and criminal fees | 7,793,000 | 8,280,000 | 8,970,917 | 690,917 |
| Court attendance | 120,000 | 115,000 | 113,152 | (1,848) |
| Transporting prisoners | 410,000 | 285,000 | 353,471 | 68,471 |
| Feeding and keeping prisoners | 10,879,000 | 9,762,000 | 8,860,521 | (901,479) |
| Fines and forfeitures | 240,000 | 175,000 | 198,129 | 23,129 |
| Narcotics seizures and other | 3,804,700 | 3,720,400 | 3,948,537 | 228,137 |
| Interest income | 525,000 | 665,000 | 716,391 | 51,391 |
| Donations and miscellaneous | 1,115,000 | 1,636,000 | 1,305,588 | (330,412) |
| Total Revenues | 96,512,700 | 95,920,400 | 96,456,728 | 536,328 |
| <u>EXPENDITURES</u> | | | | |
| Public safety: | | | | |
| Personnel services and related benefits | 67,510,800 | 67,197,800 | 68,134,067 | (936,267) |
| Operating services | 12,428,500 | 12,328,700 | 12,044,305 | 284,395 |
| Materials and supplies | 9,755,500 | 9,670,500 | 8,564,889 | 1,105,611 |
| Travel and other charges | 2,471,000 | 1,979,000 | 2,086,673 | (107,673) |
| Payment on lease agreement | 933,200 | 933,200 | 933,166 | 34 |
| Capital outlay | 2,025,000 | 2,282,000 | 2,210,137 | 71,863 |
| Total Expenditures | 95,124,000 | 94,391,200 | 93,973,237 | 417,963 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,388,700 | 1,529,200 | 2,483,491 | 954,291 |
| Other financing sources: | | | | |
| Sale of fixed assets | 100,000 | 100,000 | 93,426 | (6,574) |
| Total other financing sources | 100,000 | 100,000 | 93,426 | (6,574) |
| NET CHANGE IN FUND BALANCE | 1,488,700 | 1,629,200 | 2,576,917 | 947,717 |
| FUND BALANCE AT BEGINNING OF YEAR (Restated) | 20,868,071 | 20,868,071 | 19,468,881 | (1,399,190) |
| FUND BALANCE AT END OF YEAR | \$ 22,356,771 | \$ 22,497,271 | \$ 22,045,798 | \$ (451,473) |

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

SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Financial Statement Reporting Date</u> | <u>Measurement Date</u> | <u>Service Cost</u> | <u>Interest</u> | <u>Difference between actual and expected experience</u> | <u>Changes of assumptions</u> | <u>Benefit Payments</u> | <u>Net change in Total OPEB Liability</u> | <u>Total OPEB Liability - Beginning</u> | <u>Total OPEB Liability - Ending</u> | <u>Covered Employee Payroll</u> | <u>Total OPEB Liability as a Percentage of Covered Employee Payroll</u> |
|---|-----------------------------|---------------------|-----------------|--|-----------------------------------|-----------------------------|---|---|--|---|---|
| June 30, 2019 | June 30, 2019 | \$ 860,214 | \$ 1,744,758 | \$ 89,926 | \$ 1,734,362 | \$ (2,039,318) | \$ 2,389,942 | \$ 46,103,840 | \$ 48,493,782 | \$ 44,927,447 | 107.9380% |
| June 30, 2018 | June 30, 2018 | \$ 1,045,967 | \$ 1,632,642 | \$ (160,635) | \$ (1,374,096) | \$ (1,289,115) | \$ (145,237) | \$ 46,249,077 | \$ 46,103,840 | \$ 43,218,177 | 106.6770% |

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

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

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

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

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

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

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

EAST BATON ROUGE PARISH SHERIFF'S OFFICE

Baton Rouge, Louisiana

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SHERIFFS' PENSION AND RELIEF FUND
FOR THE YEAR ENDED JUNE 30, 2019 (*)

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

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

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

Changes of assumptions:

2018

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

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, 2019

| Year | Contractually Required Contribution ¹ | Contributions in Relation to Contractually Required Contribution ² | Contribution Deficiency (Excess) | Employer's Covered Payroll ³ | Contributions as a % of Covered Payroll |
|------|--|---|--|---|---|
| 2019 | \$ 5,531,835 | \$ 5,531,835 | \$ - | \$ 45,157,837 | 12.2500% |
| 2018 | 5,506,794 | 5,506,794 | - | 43,190,541 | 12.7500% |
| 2017 | 6,138,347 | 6,138,347 | - | 46,327,147 | 13.2500% |
| 2016 | 6,245,425 | 6,245,425 | - | 45,421,234 | 13.7500% |
| 2015 | 6,147,481 | 6,147,481 | - | 43,140,239 | 14.2500% |

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

For reference only:

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

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

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

OTHER SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

GENERAL DESCRIPTIONS
AGENCY FUNDS
June 30, 2019

SHERIFF'S FUND

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

PRISON INMATE FUND

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

TAX COLLECTOR FUND

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

EVIDENCE FUND

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

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS
June 30, 2019

| | Sheriff's Fund | Prison Inmate Fund | Tax Collector Fund | Evidence Fund | Total |
|----------------------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 8,869,116 | \$ 332,277 | \$ 13,270,139 | \$ 1,272,200 | \$ 23,743,732 |
| Receivables | 96,855 | - | - | 27 | 96,882 |
| Total assets | <u>\$ 8,965,971</u> | <u>\$ 332,277</u> | <u>\$ 13,270,139</u> | <u>\$ 1,272,227</u> | <u>\$ 23,840,614</u> |
| <u>LIABILITIES</u> | | | | | |
| Due to taxing bodies and others: | | | | | |
| Due to taxing bodies | \$ - | \$ - | \$ 5,328,971 | \$ - | \$ 5,328,971 |
| Due to others | 8,965,971 | 332,277 | - | 1,272,227 | 10,570,475 |
| Protested taxes | - | - | 7,941,168 | - | 7,941,168 |
| Total Liabilities | <u>\$ 8,965,971</u> | <u>\$ 332,277</u> | <u>\$ 13,270,139</u> | <u>\$ 1,272,227</u> | <u>\$ 23,840,614</u> |

EAST BATON ROUGE PARISH SHERIFF**Baton Rouge, Louisiana****COMBINING SCHEDULE OF CHANGES IN
AMOUNTS DUE TAXING BODIES AND OTHERS - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2019**

| | Sheriff's Fund | Prison Inmate Fund | Tax Collector Fund | Evidence Fund | Total |
|---|-------------------|-----------------------|-----------------------|------------------|---------------|
| <u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2018</u> | \$ 8,469,610 | \$ 298,981 | \$ 11,379,479 | \$ 1,190,358 | \$ 21,338,428 |
| <u>ADDITIONS</u> | | | | | |
| Deposits: | | | | | |
| Suits, successions, etc. | 24,327,675 | - | - | - | 24,327,675 |
| Garnishments | 9,076,672 | - | - | - | 9,076,672 |
| Surety bonds | 568,770 | - | - | - | 568,770 |
| Taxes, fees, etc. paid to tax collector | - | - | 531,213,418 | - | 531,213,418 |
| Interest on investments | - | - | 1,529,138 | - | 1,529,138 |
| Other Additions | | | | | |
| Prisoner deposits | - | 640,430 | - | - | 640,430 |
| Evidence cash received | - | - | - | 442,482 | 442,482 |
| Total additions | 33,973,117 | 640,430 | 532,742,556 | 442,482 | 567,798,585 |
| <u>REDUCTIONS</u> | | | | | |
| Taxes, fees, etc. distributed | | | | | |
| to taxing bodies and others | - | - | 530,851,896 | - | 530,851,896 |
| Payments to litigants, etc. | 23,683,348 | - | - | - | 23,683,348 |
| Fees to Sheriff and Clerk of Court | 9,253,737 | - | - | - | 9,253,737 |
| Surety bond refunds | 539,671 | - | - | - | 539,671 |
| Refunds to released inmates and | | | | | |
| prisoner program disbursements | - | 607,134 | - | - | 607,134 |
| Authorized program disbursements | - | - | - | 360,613 | 360,613 |
| Total reductions | 33,476,756 | 607,134 | 530,851,896 | 360,613 | 565,296,399 |
| Change in amounts due taxing bodies and others | 496,361 | 33,296 | 1,890,660 | 81,869 | 2,502,186 |
| <u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2019</u> | \$ 8,965,971 | \$ 332,277 | \$ 13,270,139 | \$ 1,272,227 | \$ 23,840,614 |

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, 2019

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

| <u>Purpose:</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| Salary | \$ 180,338 |
| Benefits - insurance | 7,574 |
| Benefits - retirement contribution | 22,091 |
| Benefits - medicare | 2,615 |
| Registration fees | 6,195 |
| Conference travel | 5,304 |
| | <u>\$ 224,117</u> |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2019, 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 18, 2019.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 18, 2019

**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, 2019. 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, 2019.

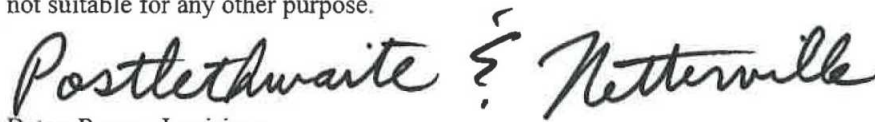
Report on Internal Control Over Compliance

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

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

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

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



Baton Rouge, Louisiana
December 18, 2019

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

| 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 2016 | 16.738 | 2016-DJ-BX-0831 | \$ 133,796 | \$ 41,808 |
| Justice Assistance Grant 2017 | 16.738 | 2017-DJ-BX-0519 | 93,987 | - |
| Justice Assistance Grant 2018 | 16.738 | 2018-DJ-BX-0644 | 52,754 | - |
| COPS Hiring Program | 16.710 | 2016-UL-WX-0052 | 284,531 | - |
| Equitable Sharing Agreement & Certification Program | 16.111 | N/A | 149,009 | - |
| <u>Passed Through:</u> | | | | |
| Justice Assistance Grant 2018, subrecipient of District Attorney | 16.738 | 2018-DG-BX-0008 | 10,931 | - |
| DNA Capacity Enhancement & Backlog Reduction Program-LSP | 16.741 | 2017-DN-BX-0002 | 5,926 | - |
| DNA Capacity Enhancement & Backlog Reduction Program-LSP | 16.741 | 2018-DN-BX-0121 | 2,729 | - |
| <u>Passed Through:</u> | | | | |
| <i>Louisiana Commission on Law Enforcement and Administration of Criminal Justice:</i> | | | | |
| Targeting Violent Criminals | 16.738 | 2017-DJ-01 4728 | 5,439 | - |
| Crime Victims Unit | 16.575 | 2016-VA-01/02/03/04 3877 | 43,901 | - |
| Crime Victims Unit | 16.575 | 2017-VA-01/02/03/04 4361 | 39,972 | - |
| Total United States Department of Justice | | | 822,975 | 41,808 |
| <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 2018-30-18 | 94,512 | - |
| State and Community Highway Safety | 20.600 | 1 2019-30-18 | 188,800 | - |
| Total United States Department of Transportation | | | 283,312 | - |
| <u>United States Executive Office of the President</u> | | | | |
| <u>Passed Through:</u> | | | | |
| <i>Governor's Office of Homeland Security & Emergency Preparedness:</i> | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | G17GC0001A | 45,423 | - |
| High Intensity Drug Trafficking Areas Program | 95.001 | G18GC0001A | 16,800 | - |
| High Intensity Drug Trafficking Areas Program | 95.001 | G19GC0001A | 22,465 | - |
| | | | 84,688 | - |
| <u>United States Department of Homeland Security</u> | | | | |
| <u>Passed Through:</u> | | | | |
| <i>Governor's Office of Homeland Security & Emergency Preparedness:</i> | | | | |
| FEMA | 97.036 | FEMA-DR-4277 | 306,657 | - |
| Port Security Grant 15 | 97.056 | EMW2015PU00277 | 25,110 | - |
| Port Security Grant 17 | 97.056 | EMW2017PU00601 | 99,693 | - |
| Total United States Department of Homeland Security | | | 431,460 | - |
| Total Expenditures | | | \$ 1,622,435 | \$ 41,808 |

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, 2019

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 | \$ 1,622,435 |
| Less costs incurred and revenue recognized for FEMA Public Assistance Grant on accrual basis in prior period | (306,657) |
| Revenue collected over expended for Equitable Sharing Program | 8,163 |
| Collection of prior year grant costs | <u>17,877</u> |
| Federal grants revenue per financial statements | \$ <u>1,341,818</u> |

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ 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 ☒ no

Identification of major programs:

CFDA Numbers

16.738

97.056

Name of Federal Program or Cluster

Edward Byrne Memorial Justice Assistance Grant Program

Port Security Grant Program

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

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

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2019

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2019

December 18, 2019

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, 2019 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 non-compliance, if any, to financial statements amounts. Our consideration was not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control or expressing an opinion on compliance. 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 not 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 enhance internal controls in the future. Our comments are set forth below. This letter does not affect our reports dated December 18, 2019, on the financial statements of the EBRSO and the EBRSO's internal control over financial reporting.

2019-01

IT Oversight

Condition: The EBRSO outsources a significant portion of the information technology (IT) function of the organization. Given your increased reliance on information systems in a computer intensive environment, best practices would indicate that someone on staff with EBRSO have the skills, knowledge and experience to provide oversight of the services the vendor is providing and ensure that the potential risks unique to EBRSO are addressed.

Recommendation: It is recommended that EBRSO identify someone within the organization with the appropriate skills, knowledge, and experience to oversee the IT functions of the entity.

*Management's
Response:*

EBRSO management will examine its Information Technology Department to determine the best organizational fit for its own employees versus outsourced needs.

2019-02

Procedures and Controls for Changes Affecting Pension Contributions

Condition: During the fiscal year, EBRSO identified errors in pension contributions for certain employees. The errors were the result of certain isolated instances of employees changing status (part-time to full-time) and being assigned new pay codes in accordance with a new salary structure being implemented. Both instances were identified and corrected by EBRSO.

Recommendation: It is recommended that EBRSO implement procedures and controls to ensure that pension eligibility is confirmed when part-time employees convert to full-time and that appropriate pay codes are identified as pensionable when created or changed.

*Management's
Response:*

The EBRSO Payroll Department has identified the control gap that allowed for the pension contribution errors and is working with the Human Resources Department to ensure this does not occur again. Additionally, the Payroll Department has implemented new reviews when creating new pay codes or new pay scale steps to ensure pension contributions are calculated correctly.

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the East Baton Rouge Parish Sheriff and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the East Baton Rouge Parish Sheriff (Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity'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. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "*procedure was not performed due to no exception occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity*" is indicated.

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- 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; and (5) documentation required to be maintained for all bids and price quotes.

No exception noted

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

No exception noted

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exception noted

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

No exception noted

- 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

No exception noted

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

No exception noted

- 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 entity's ethics policy.

The Entity has written policies for Ethics; however, the policy does not contain attribute (3) system to monitor possible ethics violations or attribute (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

No exception noted

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Entity does not have written policies for Disaster Recovery/Business Continuity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Procedure is not applicable to entities managed by a single elected official. The Sheriff is a single elected official who manages the Sheriff's Department. As such, this procedure is not applicable to the Sheriff's Department.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Procedure is not applicable to entities managed by a single elected official. The Sheriff is a single elected official who manages the Sheriff's Department. As such, this procedure is not applicable to the Sheriff's Department.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Procedure is not applicable to the Sheriff since unrestricted fund balance per the prior year audited financial statements was positive.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts was provided and included a total of 123 bank accounts. Management identified the entity's main operating account. A signed representation by management was obtained on the completeness of the listing provided.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for one month for each account resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Not exceptions noted

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Of the 5 bank accounts selected, 2 bank reconciliations had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.

Collections (excluding EFTs)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) Observe that receipts are sequentially pre-numbered.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- e) Trace the actual deposit per the bank statement to the general ledger.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) At least two employees are involved in processing and approving payments to vendors.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

A listing of cards was provided.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

From the listing provided, we randomly selected 5 cards (1 credit card and 4 fuel cards) used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

For the 1 credit card tested, no exceptions were noted.

For the 4 fuel cards tested, the monthly statement provided did contain evidence of review by someone other than the card holder. However, there was no evidence of review of exception reports.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We selected 1 of the 5 cards selected in procedure #12 (4 fuel cards excluded). No exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation,

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

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

Sincerely,

Postlethwaite & Netterville

December 18, 2019