

**EAST BATON ROUGE PARISH SHERIFF****Baton Rouge, Louisiana****FINANCIAL REPORT****June 30, 2012**

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

Release Date JAN 30 2013



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**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

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**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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2012, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheriff's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress for the Sheriff's other post-employment benefit plan, presented on pages 3 through 10, 31 through 32, and page 33, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's financial statements as a whole. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Postlethwaite + Natterville*

Baton Rouge, Louisiana  
December 27, 2012

**REQUIRED SUPPLEMENTAL**

**INFORMATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

This section of the East Baton Rouge Parish Sheriff's (the Sheriff's) annual financial report provides our narrative discussion and analysis of the financial activities of the Sheriff for the fiscal years ended June 30, 2012 and 2011. 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 assets exceeded liabilities by \$11.6 million and \$20.7 million (net assets) for the fiscal years ended June 30, 2012 and 2011, respectively.
- Total revenues of \$82.6 million exceeded total expenses of \$91.7 million, resulting in a deficit change in net assets of \$9.1 million for the year ended June 30, 2012. For the year ended June 30, 2011, total revenues of \$75.9 million were exceeded by total expenses of \$79.5 million, resulting in a deficit change in net assets of \$3.6 million for that year. The decrease in net assets for two consecutive years indicates deterioration of long-term financial condition.
- The Sheriff's governmental funds report total ending fund balances of approximately \$17.7 and \$19.9 million as of June 30, 2012 and 2011, respectively. This fund balance represents a reasonably adequate level of reserves for the short-term.
- Total net assets are comprised of the following:
  - (1) Capital assets of \$9.9 million and \$11.5 million for the years ended June 30, 2012 and 2011. Capital assets include property and equipment net of accumulated depreciation.
  - (2) Restricted net assets were \$.5 million and \$3.3 million for the years ended June 30, 2012 and 2011, respectively. These assets (net of liabilities to be paid from those assets) consist primarily of seized assets or other accounts whose use is restricted by statute.
  - (3) Unrestricted net assets of \$1.2 and \$5.9 million for the years ended June 30, 2012 and 2011, respectively.

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

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

**Overview of the Financial Statements**

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

***Government-wide Financial Statements***

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

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Sheriff's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. All current year revenues and expenses are included 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 property taxes. The sole purpose of these governmental activities is public safety. The government-wide financial statements are presented on pages 11 and 12 of this report.

***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.



**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

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.

The governmental fund financial statements and the reconciliations of those statements to the government-wide financial statements are presented on pages 13 through 16 of this report.

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

The combined agency fund financial statement is presented on page 17 of this report. Combining schedules of the individual fiduciary funds balances and activity are presented pages 36 and 38 of the report.

***Notes to the basic financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Sheriff's budget presentations and the other post-employment benefit plan. Budgetary comparison statements are included as "required supplementary information" for the general and special revenue fund. These schedules demonstrate compliance with the Sheriff's adopted and final revised budget. This required supplementary information can be found on pages 31 through 33 of this report.

**Financial Analysis**

The Sheriff's net assets were \$11,646,092 and \$20,748,525 at June 30, 2012 and 2011, respectively. The following table provides a summary of the Sheriff's net assets:

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

**Summary Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
<b>Assets:</b>		
Current assets	\$ 19,592,567	\$ 23,930,106
Capital assets	<u>9,942,700</u>	<u>11,509,808</u>
Total assets	<u>29,535,267</u>	<u>35,439,914</u>
<b>Liabilities:</b>		
Current liabilities	1,856,822	4,047,080
Long-term liabilities	<u>16,032,353</u>	<u>10,644,309</u>
Total liabilities	<u>17,889,175</u>	<u>14,691,389</u>
<b>Net assets:</b>		
Investment in capital assets	9,942,700	11,509,808
Restricted	532,297	3,261,741
Unrestricted	<u>1,171,095</u>	<u>5,976,976</u>
Total net assets	<u>\$ 11,646,092</u>	<u>\$ 20,748,525</u>

Net assets of \$11,646,092 and \$20,748,525 at June 30, 2012 and 2011, respectively, were \$9,102,433 less than and \$3,646,064 less than net assets for the previous year. The Sheriff had \$9,942,700 and \$11,509,808 invested in capital assets at June 30, 2012 and 2011, respectively. Current assets exceed current liabilities by \$17,735,745 and \$19,883,026 at June 30, 2012 and 2011, respectively. Long-term liabilities consisting primarily of the net post-employment benefit obligation and accrued compensated leave were \$16,032,353 versus \$10,644,309 at June 30, 2012 and 2011, respectively. The increase in long-term liabilities is largely attributable to the increase in the post employment benefits obligation as determined by Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pension* and a change in the Sheriff's policy for compensated leave.

**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 assets:*

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
<b>Revenues:</b>		
<b>Program:</b>		
Fees, charges and commissions for services	\$ 22,268,087	\$ 19,002,520
Operating grants and contributions	<u>4,026,901</u>	<u>2,324,732</u>
	26,294,988	21,327,252
<b>General:</b>		
Ad valorem taxes	51,306,081	50,575,220
Grants not restricted to specific programs	4,476,456	4,387,334
Interest income	208,073	352,250
(Loss) from sale of fixed assets/ gain on sale of fixed assets	(257,300)	(1,235,643)
Miscellaneous	<u>578,567</u>	<u>473,678</u>
<b>Total revenues</b>	<u><b>82,606,865</b></u>	<u><b>75,880,091</b></u>
<b>Expenses:</b>		
<b>Public safety:</b>		
Personal services and benefits	63,868,275	57,339,974
Operating services	13,996,007	12,142,849
Materials and supplies	10,636,197	8,655,355
Travel and other charges	3,000,891	1,387,977
Capital outlay (not capitalized)	<u>207,928</u>	<u>-</u>
<b>Total expenses</b>	<u><b>91,709,298</b></u>	<u><b>79,526,155</b></u>
Change in net assets	(9,102,433)	(3,646,064)
Beginning net assets	<u>20,748,525</u>	<u>24,394,589</u>
Ending net assets	<u><b>\$ 11,646,092</b></u>	<u><b>\$ 20,748,525</b></u>

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

**REVENUES**

Ad-valorem taxes funded 62% and 66% of the Sheriff's operations for the years ended June 30, 2012 and 2011, respectively. Ad-valorem taxes in terms of dollars increased \$730,861 or 1.4%. Program revenues consisting of fees, charges, commissions and restricted operating grants and contributions funded 32% and 28% of operations for the years ended June 30, 2012 and 2011, respectively and increased \$4,967,736, or 23%

**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 \$6,528,300, or 11.3% for the years ended June 30, 2012 and 2011, respectively. The increased personnel expenses are attributable to pay increases, increased health care costs and changes to the policy for compensated leave. Operating services increased due to higher gasoline prices, an increase in the costs of housing inmates out-of-Parish and higher depreciation costs on capital assets.

**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 \$17,735,745 and \$19,883,026 at June 30, 2012 and 2011, respectively. The fund balance as of June 30, 2012 represents approximately 21% of annual expenditures. This level of fund balance will allow the Sheriff to sustain operations during periods of decreased revenues without obtaining significant long-term borrowings.

**Budgetary Highlights**

***The General Fund*** — The original budgets for the General Fund included anticipated revenues of approximately \$74.2 million and \$76.2 million for the years ended June 30, 2012 and 2011, respectively, a decrease of approximately \$2.0 million from 2011 to 2012. For the fiscal year ended June 30, 2012, the budget was amended to reflect increases in various revenue accounts totaling approximately \$5.9 million; however, the total actual revenues of \$82 million, as reported in the General Fund, exceeded the amended budget by approximately \$1.7 million. This was attributed to higher than anticipated federal grant revenue.

The original budgets for the General Fund included anticipated expenditures of approximately \$78.6 million and \$78.2 million for the years ended June 30, 2012 and 2011, respectively, an increase of approximately \$0.4 million and \$4.4 million for these years from the prior year. For the year ended June 30, 2012, the budget was amended to reflect an increase of approximately \$6.4 million in anticipated expenditures, most significantly in the areas of materials and supplies; however, the total actual

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

expenditures of \$84.0 million was approximately \$1.0 million less than total anticipated expenditures of \$85.0 million on the amended budget.

The net change in fund balance for the year ended June 30, 2012 of \$(2,070,284) indicates a drain to financial reserves but is more favorable than the \$4,389,850 originally projected.

*The Prison Canteen Special Revenue Fund* — There were no significant differences between the original and final budget.

**Capital Assets and Debt Administration**

***Capital assets***

The Sheriff's investment in capital assets was \$9,942,700, net of accumulated depreciation of \$18,323,893 at June 30, 2012 and \$11,509,808, net of accumulated depreciation of \$14,852,202 at June 30, 2011. Under the Sheriff's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting. All assets with a cost of \$500 or more, as well as certain assets with a cost of less than \$500, are inventoried and tracked. See Note 3 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.

	<b><u>Capital Assets</u></b>	
	<b><u>(net of accumulated depreciation where applicable)</u></b>	
	<b><u>6/30/2012</u></b>	<b><u>6/30/2011</u></b>
Land	\$ 43,560	\$ 43,560
Buildings	3,528,213	3,170,719
Vehicles	2,780,321	3,929,275
Office furniture & equipment	458,774	321,914
Law enforcement equipment	1,552,050	1,398,612
Telecommunications equipment	<u>1,579,782</u>	<u>2,645,728</u>
Total capital assets	<u>\$ 9,942,700</u>	<u>\$ 11,509,808</u>

At June 30, 2012 and 2011, respectively, the depreciable capital assets for governmental activities were 65% and 56% depreciated.

***Long-term liabilities***

The Sheriff had no long-term bonded debt or borrowings for the fiscal years ended June 30, 2012 and 2011. However, long-term liabilities for post employment health benefits of \$8,146,114, for self-insured health claims of \$690,000, and for compensated absences of \$7,196,239, have accrued to the Sheriff as of June 30, 2012. This represents an increase of \$5,388,044 in long-term liabilities since June 30, 2011.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**Management's Discussion and Analysis**

**Economic Conditions and Budgets of Future Periods**

In setting the fiscal year 2013 budget, property tax revenues were projected to increase by approximately 3% due to a re-assessment of property values that occurs every four years. Other revenues are expected to remain constant. Expenditures remain relatively constant. The Sheriff may once again experience an operating deficit for fiscal year 2013, however, the general fund balance of \$17,609,975 provides sufficient reserves to absorb the deficit.

**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, Stephen Hymel, Chief Civil Deputy, at (225) 389-4929 or email at [shymel@ebrso.org](mailto:shymel@ebrso.org).

## **BASIC FINANCIAL STATEMENTS**

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**STATEMENT OF NET ASSETS**  
**June 30, 2012**

**ASSETS**

Cash	\$ 16,135,723
Cash restricted	769,937
Receivables	1,174,510
Due from fiduciary funds	609,833
Due from other governments	740,733
Other	161,831
Capital assets:	
Land	43,560
Depreciable assets, net	9,899,140
Total assets	<u>29,535,267</u>

**LIABILITIES**

Accounts payable and accrued liabilities	901,388
Due to others	955,434
Long-term liabilities:	
Net post employment benefit obligation	8,146,114
Compensated absences payable	7,196,239
Claims payable	690,000
Total liabilities	<u>17,889,175</u>

**NET ASSETS**

Invested in capital assets	9,942,700
Restricted	532,297
Unrestricted	1,171,095
Total net assets	<u>\$ 11,646,092</u>

The accompanying notes are an integral part of these statements.



**EAST BATON ROUGE PARISH SHERIFF**

**Baton Rouge, Louisiana**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
<b>Governmental Activities:</b>				
Public Safety	<u>\$ 91,709,298</u>	<u>\$ 22,268,087</u>	<u>\$ 4,026,901</u>	<u>\$ (65,414,310)</u>
<b>General revenues:</b>				
Ad valorem taxes				51,306,081
State funds not restricted to specific programs				4,476,456
Interest income				208,073
Loss on sale and disposal of fixed assets				(257,300)
Miscellaneous				<u>578,567</u>
Total general revenues				<u>56,311,877</u>
Change in net assets				(9,102,433)
<b>Net assets - beginning</b>				<u>20,748,525</u>
<b>Net assets - ending</b>				<u>\$ 11,646,092</u>

The accompanying notes are an integral part of these statements

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<u>General Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 16,045,975	\$ 89,748	\$ 16,135,723
Cash restricted	769,937	-	769,937
Receivables	1,174,510	-	1,174,510
Due from other funds	578,116	31,717	609,833
Due from other governments	740,733	-	740,733
Other	143,974	17,857	161,831
<b>Total assets</b>	<b><u>19,453,245</u></b>	<b><u>139,322</u></b>	<b><u>19,592,567</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	887,836	13,552	901,388
Due to others	955,434	-	955,434
<b>Total liabilities</b>	<b><u>1,843,270</u></b>	<b><u>13,552</u></b>	<b><u>1,856,822</u></b>
<b><u>FUND BALANCE</u></b>			
Restricted	532,297	-	532,297
Committed	-	125,770	125,770
Unassigned	17,077,678	-	17,077,678
<b>Total fund balances</b>	<b><u>17,609,975</u></b>	<b><u>125,770</u></b>	<b><u>17,735,745</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 19,453,245</u></b>	 <b><u>\$ 139,322</u></b>	 <b><u>\$ 19,592,567</u></b>

The accompanying notes are an integral part of these statements.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

Total Fund Balances for governmental funds at June 30, 2012	\$ 17,735,745
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Total Net Assets reported for governmental activities in the Statement of Net Assets 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 \$18,323,893 accumulated depreciation is equal to:	9,942,700
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Long-term liabilities at June 30, 2012:	
Net post employment benefits obligation recorded in accordance with GASB 45	(8,146,114)
Claims payable - self insurance for healthcare benefits	(690,000)
Compensated absences payable	<u>(7,196,239)</u>

Total Net Assets of governmental activities at June 30, 2012	<u>\$ 11,646,092</u>
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The accompanying notes are an integral part of these statements.

**EAST BATON ROUGE PARISH SHERIFF****Baton Rouge, Louisiana****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

<b><u>REVENUES</u></b>	<b><u>General Fund</u></b>	<b><u>Canteen Fund</u></b>	<b><u>Total</u></b>
Ad valorem taxes	\$ 51,306,081	\$ -	\$ 51,306,081
Intergovernmental revenues:			
Federal grants	3,269,107	-	3,269,107
State grants	86,234	-	86,234
State supplemental pay	3,778,395	-	3,778,395
State revenue sharing	698,061	-	698,061
Fees, charges, and commissions for services:			
Civil and criminal fees	7,537,575	-	7,537,575
Court attendance	152,184	-	152,184
Transporting prisoners	310,151	-	310,151
Feeding and keeping prisoners	9,732,125	-	9,732,125
Sales of merchandise	-	69,323	69,323
Fines and forfeitures	274,677	-	274,677
Narcotics seizures	323,437	-	323,437
Other	3,457,878	410,737	3,868,615
Interest income	207,265	808	208,073
Donations	116,700	-	116,700
Miscellaneous	577,173	1,394	578,567
<b>Total Revenues</b>	<b>81,827,043</b>	<b>482,262</b>	<b>82,309,305</b>
<b><u>EXPENDITURES</u></b>			
Public safety:			
Personnel services and related benefits	57,992,335	487,896	58,480,231
Operating services	10,249,675	-	10,249,675
Materials and supplies	10,580,003	56,194	10,636,197
Transporting and other charges	2,985,722	15,169	3,000,891
Capital outlay	2,182,728	-	2,182,728
<b>Total Expenditures</b>	<b>83,990,463</b>	<b>559,259</b>	<b>84,549,722</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(2,163,420)</b>	<b>(76,997)</b>	<b>(2,240,417)</b>
Other financing sources:			
Sale of fixed assets	93,136	-	93,136
<b>Total other financing sources</b>	<b>93,136</b>	<b>-</b>	<b>93,136</b>
<b>Net change in fund balance</b>	<b>(2,070,284)</b>	<b>(76,997)</b>	<b>(2,147,281)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>19,680,259</b>	<b>202,767</b>	<b>19,883,026</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 17,609,975</b>	<b>\$ 125,770</b>	<b>\$ 17,735,745</b>

The accompanying notes are an integral part of these statements.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**RECONCILIATION OF GOVERNMENTAL FUNDS'**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

Total Net Changes in Fund Balance for year ended June 30, 2012, per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (2,147,281)
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The change in net assets 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	2,702,088	
Depreciation expense	(3,746,332)	
Net book value of capital assets disposed	<u>(522,864)</u>	(1,567,108)

Excess of compensated absences used over compensated absences earned	(2,746,608)
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Net post employment benefits expense in excess of contributions	(2,491,436)
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Claims payable for self insurance for healthcare	<u>(150,000)</u>
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Total changes in Net Assets for year ended June 30, 2012, per Statement of Activities	<u><u>\$ (9,102,433)</u></u>
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The accompanying notes are an integral part of these statements

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**COMBINED STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**FIDUCIARY FUNDS**

**JUNE 30, 2012**

**ASSETS**

Cash and cash equivalents	\$ 26,898,141
Receivables	28,997
Total Assets	<u>26,927,138</u>

**LIABILITIES**

Due to other funds of Sheriff	609,833
Balance due to taxing bodies, prisoners and others	26,317,305
Total Liabilities	<u>\$ 26,927,138</u>

The accompanying notes are an integral part of these statements.

**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 assets and the statement of activities display information about the primary government. They include all 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**

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

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

The Sheriff reports the following major governmental funds:

**General Fund**

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

**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 another 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**

For financial reporting purposes, the Sheriff includes all funds, activities, et cetera, that are controlled by the Sheriff as an independently elected parish official. As an independently elected parish official, the Sheriff is solely responsible for the operations of his office, which include the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the Sheriff's Office that are paid or provided by the city-parish council as required by Louisiana law, the Sheriff is financially independent. 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 Governmental 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.

All governmental activities of the Sheriff follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**D. BUDGET PRACTICES**

The proposed budget for the year ended June 30, 2012, was made available for public inspection and comments from taxpayers at the Sheriff's office on June 16, 2011. 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 28, 2011 for the comments from taxpayers. The budget was legally adopted and amended, as necessary, by the Sheriff.

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

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

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**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.

**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 fair value at the date of donation. The Sheriff maintains a threshold level of \$5,000 or more for capitalizing assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are recorded in the Statement of Net Assets 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
Computer Software	5
Office Furniture and Equipment	5-15
Law Enforcement Equipment	5-10
Telecommunications Equipment	5

**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 PTO up to 300 hours.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**G. COMPENSATED ABSENCES** (continued)

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. 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 Assets. As such, all accumulated CT and up to 300 hours of PTO is accrued as a long-term liability in the Statement of Net Assets.

**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.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**1. 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.

**2. LEVIED TAXES**

The following is a summary of authorized and levied property taxes

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Special law enforcement	4.36	4.36	None
Additional special law enforcement	6.90	6.90	12/31/2013
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, 2012, are as follows:

<u>Asset Class</u>	<u>Balance at 6/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/2012</u>
<b>Cost</b>				
Land	\$ 43,560	\$ -	\$ -	\$ 43,560
Buildings	4,552,529	13,788	-	4,566,317
Vehicles	13,281,962	1,160,064	(581,163)	13,860,863
Office Furniture and Equipment	2,546,544	940,209	(123,386)	3,363,367
Law Enforcement Equipment	2,082,331	588,027	(41,900)	2,628,458
Telecommunications Equipment	3,855,084	-	(51,056)	3,804,028
	<u>26,362,010</u>	<u>2,702,088</u>	<u>(797,505)</u>	<u>28,266,593</u>
<b>Accumulated Depreciation</b>	<u>(14,852,202)</u>	<u>(3,746,332)</u>	<u>274,641</u>	<u>(18,323,893)</u>
<b>Total Capital Assets</b>	<u>\$11,509,808</u>	<u>\$ (1,216,672)</u>	<u>\$ (522,864)</u>	<u>\$ 9,942,700</u>

For the year ended June 30, 2012, depreciation expense was \$3,746,332.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**4. CASH AND CASH EQUIVALENTS**

At June 30, 2012, the Sheriff has cash and cash equivalents consisting solely of deposits in financial institutions. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Custodial credit risk is the risk that an entity may fail to receive its deposits upon failure of a financial institution. To protect against such risks, the market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2012, the deposits are adequately secured from custodial credit risk by pledged securities and FDIC insurance.

**5. RECEIVABLES**

Receivables at June 30, 2012 are as follows:

Federal grants	\$ 472,848
Feeding, keeping and transporting prisoners	305,795
Other fees, charges and commissions	<u>395,867</u>
	<u>\$ 1,174,510</u>

**6. RESTRICTED ASSETS**

Restricted cash held in the general fund of \$769,937 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.

**7. PENSION PLAN**

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

All Sheriffs and all deputies who are found to be physically fit, who earn at least \$400 per month if employed prior to January 1, 1991, and not less than \$800 if employed subsequent to December 30, 1990, and who were between the ages of 18 and 50 at the time of original employment are required to participate in the System. Employees are eligible to retire after age 55 with at least twelve years of credited service and receive a benefit, payable monthly for life, equal to a percentage of their final average salary for each year of credited service.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. PENSION PLAN** (continued)

The member shall be paid a monthly sum equal to 3 1/3 percent of the member's average monthly salary for the 36 highest successive months of employment, or the highest 36 successive joined months of employment where interruption of service occurred, multiplied by the number of years creditable service in the System. In any case, the retirement benefit cannot exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least twelve years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination as indicated previously. Employees who terminate with at least 20 years of credited service are also eligible to elect early benefits between ages 50 and 55 with reduced benefits equal to the actuarial equivalent of the benefit to which they would otherwise be entitled at age 55. The System also provides death and disability benefits. Benefits are established by state statute.

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

**Funding Policy.** Plan members are required by state statute to contribute 10.00 percent of their annual covered salary and the Sheriff is required to contribute at an actuarially determined rate. The current rate is 12.50 percent of annual covered payroll. Contributions to the System also include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and funds as required and available from insurance premium taxes. The contribution requirements of plan members and the Sheriff are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Sheriff's contributions to the System, for the years ending June 30, 2012, 2011, and 2010, were \$5,373,635, \$4,752,630, and \$4,249,970, respectively.

**8. OTHER POST-EMPLOYMENT BENEFITS**

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

**Plan Description.** The Sheriff provides certain continuing health care, life and dental insurance benefits for its retired employees. Substantially all of the Sheriff's employees qualify for those benefits if they reach their eligible retirement age while working for the Sheriff. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the retirees and subsidized by the Sheriff.

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

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Funding Policy.** Until 2008, the Sheriff recognized the cost of providing post-employment medical, life and dental benefits (the Sheriff's portion of the retiree medical, life and dental benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2008, the Sheriff adopted Governmental Accounting Standards Board Statement No. 45 *Accounting for Post Employment Benefits Other than Pensions* (GASB 45), which requires the cost to be recognized over the period of employment. During fiscal year 2012, the Sheriff's portion of health care and life insurance cost as defined by GASB 45 for retired employees was determined to be \$2,893,890. However, the Sheriff still finances the cost on a pay-as-you go basis, contributing only \$402,453 toward the cost.

**Annual Required Contribution.** The Sheriff's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning July 1, 2011 is \$2,994,713 for medical and life, as set forth below:

Normal Cost	\$ 1,470,664
30-year UAL amortization amount	<u>1,524,049</u>
Annual required contribution (ARC)	<u>2,994,713</u>

**Net Post-employment Benefit Obligation (Asset).** The table below shows the Sheriff's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2012:

Beginning Net OPEB Obligation 7/1/2011	5,654,678
Annual required contribution	2,994,713
Interest on Net OPEB Obligation	226,187
ARC Adjustment	<u>(327,011)</u>
OPEB Cost	2,893,890
Current year retiree premium (plan contributions)	<u>(402,453)</u>
Change in Net OPEB Obligation	<u>2,491,436</u>
Ending Net OPEB Obligation 6/30/2012	<u>\$ 8,146,114</u>

The following table shows the Sheriff's annual post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net post-employment benefit (OPEB) obligation (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical and Life	June 30, 2012	\$2,893,890	13.91%	\$8,146,114
Medical and Life	June 30, 2011	2,815,921	12.06%	5,654,678
Medical and Life	June 30, 2010	1,965,823	20.49%	3,178,491

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Funded Status and Funding Progress.** In the fiscal year ending June 30, 2012, the Sheriff made no contributions to an irrevocable trust for its post employment benefits plan. The plan is not considered to be funded at all, has no assets, and hence has a funded ratio of zero. As of July 1, 2010, most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$24,418,601 (medical and life), which is defined as that portion, as determined by a particular actuarial cost method (the Sheriff uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost

Actuarial Accrued Liability (AAL)	\$ 24,418,601
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 24,418,601</u>
 Funded Ratio (Act. Val. Assets/AAL)	 0%
Covered Payroll (active plan members)	\$ 41,300,030
UAAL as a percentage of covered payroll	59.12%

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

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



**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**8. OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Withdrawal Rate.** A work experience related withdrawal scale based on actual experience as described by administrative staff has been used. The rates are below:

<b>Service</b>	<b>Males</b>	<b>Females</b>
<1	26.0%	26.0%
1	17.0%	17.0%
2	13.0%	13.0%
3	12.0%	12.0%
4	10.0%	10.0%
5	8.0%	8.0%
6	7.0%	7.0%
7	7.0%	7.0%
8	6.0%	6.0%
9 - 12	4.0%	4.0%
13 - 18	2.5%	2.5%
19 +	1.5%	1.5%

**Post-employment Benefit Plan Eligibility Requirements.** It is assumed that entitlement to benefits will commence after 12 years of service at age 55 or after 30 years of service. Spouses of retiring members are also eligible for health and life benefits under the Plan, however, they are responsible for the full cost of coverage. Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continue through Medicare to death. Additionally, 40% of employees who elect coverage while in active employment are assumed to elect continued medical coverage in retirement, and 40% of those employees electing coverage are assumed to cover their spouse. Female spouses are assumed to be three years younger than their husbands.

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

**Health Care Cost Trend Rate.** The expected rate of increase in medical cost is 6.5% as an initial rate and graduated down to 4.5% over 76 years.

Zero trend has been assumed for valuing life insurance.

**Mortality Rate.** The RP2000 Static Healthy Mortality Table (sex distinct) projected to 2011 using Scale AA, has been applied.

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. CHANGES IN AGENCY FUND BALANCES**

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

	<u>Sheriff's Fund</u>	<u>Prison Inmate Fund</u>	<u>Tax Collector Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
Balance at Beginning of year	\$ 6,394,732	\$ 223,675	\$ 18,041,959	\$ 480,698	\$ 25,141,064
Additions	28,084,759	472,921	412,540,037	369,916	441,467,633
Reductions	<u>(26,679,043)</u>	<u>(457,210)</u>	<u>(412,358,478)</u>	<u>(186,828)</u>	<u>(439,681,559)</u>
Balance at End of year	<u>\$ 7,800,448</u>	<u>\$ 239,386</u>	<u>\$ 18,223,518</u>	<u>\$ 663,786</u>	<u>\$ 26,927,138</u>

**10. TAXES PAID UNDER PROTEST**

Amounts held in escrow for protested taxes at June 30, 2012, were \$10,063,287, 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. LITIGATION AND CLAIMS**

At June 30, 2012, the Sheriff was a defendant in multiple lawsuits. These suites, arising from various claims involving workman's compensation issues, automobile accidents, police misconduct, general liability and others are mostly covered through insurance. However, the Sheriff is exposed for certain uninsured claims and deductibles. Those lawsuits with a reasonable possibility of an unfavorable outcome expose the Sheriff to losses ranging from approximately \$25,000 to \$900,000. These losses have not been accrued in the accompanying financial statements. 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.

**12. COMPENSATED ABSENCE LIABILITY**

At June 30, 2012, employees of the Sheriff have accumulated and vested \$7,196,239 of employee leave benefits according to the Sheriff's PTO policy, which were computed in accordance with GASB Classification Section C60. The following is a summary of the compensated absence liability activity during the year:

	<u>Compensated Absences</u>
Balance, July 1, 2011	\$ 4,449,631
Additions (amounts earned)	8,322,472
Deductions (amounts paid)	<u>(5,575,864)</u>
Balance, June 30, 2012	<u>\$ 7,196,239</u>

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**13. INTERFUND TRANSACTIONS**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 578,116	\$ -
Prison Canteen Fund	31,717	-
Agency Funds	-	609,833
	<u>\$ 609,833</u>	<u>\$609,833</u>

**14. RISK MANAGEMENT**

Effective July 1, 2009, the Sheriff is assumed the risk of all medical claims of participants in its employee health plan up to \$125,000 per individual, with reinsurance covering the claims in excess of that amount up to \$5,000,000. In the aggregate, the reinsurance covers individual claims up to \$5,000,000 for the life of the policy. The Sheriff is exposed to various risks of loss related health insurance for its employees. The Sheriff does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by excess insurance carriers. Settlements did not materially exceed excess insurance coverage for the year. Unpaid claims are reconciled as follows:

Unpaid claims as of July 1, 2011	\$ 2,240,000
Current year claims incurred and changes in estimates	8,006,743
Claims paid	<u>(9,556,743)</u>
Unpaid claims as of June 30, 2012	<u>\$ 690,000</u>

The above unpaid claims as of June 30, 2012, 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.

**15. SHORT-TERM DEBT**

In order to finance operations until the collection of property tax revenues, the Sheriff obtained a short-term loan from a prominent banking institution. The interest rate on the loan was 0.89%. Ten million was available for draw, and the entire ten million was drawn. The loan was repaid in full in March of 2012. Interest paid on the loan was \$33,894 during fiscal year 2012. A summary of the short-term debt activity for the year is as follows:

<u>Beginning Balance</u>	<u>Draws/ Increases</u>	<u>Repayment/ Decreases</u>	<u>Ending Balance</u>
\$ -	\$ 10,000,000	\$ (10,000,000)	\$ -

**16. MISAPPROPRIATION OF ASSETS**

During the fiscal year ended June 30, 2012 flooring material valued at \$1,200 was misappropriated by a deputy. The deputy has been terminated and restitution has been made.

**REQUIRED**  
**SUPPLEMENTARY INFORMATION**

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES</u></b>				
Ad valorem taxes	\$ 51,195,000	\$ 51,305,000	\$ 51,306,081	\$ 1,081
Intergovernmental revenues				
Federal grants	458,600	2,001,500	3,269,107	1,267,607
State grants	81,660	85,000	86,234	1,234
State supplemental pay	3,650,000	3,669,300	3,778,395	109,095
State revenue sharing	701,000	698,061	698,061	-
Fees, charges, and commissions for services				
Civil and criminal fees	5,984,000	7,078,000	7,537,575	459,575
Court attendance	149,000	146,000	152,184	6,184
Transporting prisoners	240,000	280,000	310,151	30,151
Feeding and keeping prisoners	7,361,500	9,942,000	9,732,125	(209,875)
Fines and forfeitures	160,000	237,000	274,677	37,677
Narcotics seizures and other	3,537,040	3,745,325	3,781,315	35,990
Interest income	230,000	176,000	207,265	31,265
Donations and miscellaneous	435,000	768,200	693,873	(74,327)
Total Revenues	<u>74,182,800</u>	<u>80,131,386</u>	<u>81,827,043</u>	<u>1,695,657</u>
<b><u>EXPENDITURES</u></b>				
Public safety:				
Personnel services and related benefits	58,391,400	59,172,175	57,992,335	1,179,840
Operating services	9,576,050	10,415,114	10,249,675	165,439
Material and supplies	7,876,500	10,743,500	10,580,003	163,497
Travel and other charges	1,318,700	2,460,550	2,985,722	(525,172)
Capital outlay	1,460,000	2,234,950	2,182,728	52,222
Total Expenditures	<u>78,622,650</u>	<u>85,026,289</u>	<u>83,990,463</u>	<u>1,035,826</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,439,850)</b>	<b>(4,894,903)</b>	<b>(2,163,420)</b>	<b>2,731,483</b>
Other financing sources:				
Sale of fixed assets	50,000	180,000	93,136	(86,864)
Total other financing sources	<u>50,000</u>	<u>180,000</u>	<u>93,136</u>	<u>(86,864)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,389,850)</b>	<b>(4,714,903)</b>	<b>(2,070,284)</b>	<b>2,644,619</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>22,583,167</u>	<u>19,797,319</u>	<u>19,680,259</u>	<u>117,060</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 18,193,317</u>	<u>\$ 15,082,416</u>	<u>\$ 17,609,975</u>	<u>\$ 2,761,679</u>

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND - PRISON CANTEEN FUND**  
**YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Sales of merchandise	\$ 80,000	\$ 75,000	\$ 69,323	\$ (5,677)
Other	370,000	430,000	410,737	(19,263)
Interest Income	900	850	808	(42)
Miscellaneous	500	1,200	1,394	194
Total Revenues	<u>451,400</u>	<u>507,050</u>	<u>482,262</u>	<u>(24,788)</u>
<b><u>EXPENDITURES</u></b>				
Public safety:				
Operating services	401,500	486,500	487,896	(1,396)
Material and supplies	57,650	48,300	56,194	(7,894)
Transporting and other charges	44,200	32,500	15,169	17,331
Total Expenditures	<u>503,350</u>	<u>567,300</u>	<u>559,259</u>	<u>8,041</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(51,950)</b>	<b>(60,250)</b>	<b>(76,997)</b>	<b>(16,747)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>132,395</b>	<b>220,263</b>	<b>202,767</b>	<b>17,496</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 80,445</b>	<b>\$ 160,013</b>	<b>\$ 125,770</b>	<b>\$ 749</b>

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**YEAR ENDED JUNE 30, 2012**

**SCHEDULE OF FUNDING PROGRESS**

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/2012	7/1/2010	\$ -	\$ 24,418,601	\$ 24,418,601	0.00%	\$ 41,300,030	59.12%
6/30/2011	7/1/2010	-	24,418,601	24,418,601	0.00%	42,184,888	57.88%
6/30/2010	7/1/2008	-	16,750,677	16,750,677	0.00%	41,336,418	40.52%
6/30/2009	7/1/2008	-	16,750,677	16,750,677	0.00%	39,782,403	42.11%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Increase (Decrease) to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 2,893,890	\$ 402,453	13.91%	\$ 2,491,436	\$ 8,146,114
6/30/2011	2,815,921	339,734	12.06%	2,476,187	5,654,678
6/30/2010	1,965,823	402,843	20.49%	1,562,980	3,178,491
6/30/2009	1,994,628	379,117	19.01%	1,615,511	1,615,511

## **OTHER SUPPLEMENTARY INFORMATION**



## **EAST BATON ROUGE PARISH SHERIFF**

**Baton Rouge, Louisiana**

### **GENERAL DESCRIPTIONS**

#### **AGENCY FUNDS**

**June 30, 2012**

#### **SHERIFF'S FUND**

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

#### **PRISON INMATE FUND**

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

#### **TAX COLLECTOR AGENCY FUND**

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

#### **EVIDENCE FUND**

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

**EAST BATON ROUGE PARISH SHERIFF**  
**Baton Rouge, Louisiana**

**COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS**  
**June 30, 2012**

	<u>Sheriff's Fund</u>	<u>Prison Inmate Fund</u>	<u>Tax Collector Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 7,780,188	\$ 239,386	\$ 18,214,828	\$ 663,739	\$ 26,898,141
Receivables	28,260	-	8,690	47	28,997
Total assets	<u>\$ 7,808,448</u>	<u>\$ 239,386</u>	<u>\$ 18,223,518</u>	<u>\$ 663,786</u>	<u>\$ 26,927,138</u>
<b><u>LIABILITIES</u></b>					
Due to other funds	\$ -	\$ 31,717	\$ 578,116	\$ -	\$ 609,833
Due to taxing bodies and others					
Due to taxing bodies	-	-	7,582,115	-	7,582,115
Due to others	7,800,448	207,669	-	663,786	8,671,903
Protested taxes	-	-	10,063,287	-	10,063,287
Total Liabilities	<u>\$ 7,800,448</u>	<u>\$ 239,386</u>	<u>\$ 18,223,518</u>	<u>\$ 663,786</u>	<u>\$ 26,927,138</u>

**EAST BATON ROUGE PARISH SHERIFF****Baton Rouge, Louisiana****COMBINING SCHEDULE OF CHANGES IN  
AMOUNT DUE TAXING BODIES AND OTHERS - ALL AGENCY FUNDS  
YEAR ENDED JUNE 30, 2012**

	<u>Sheriff's Fund</u>	<u>Prison Inmate Fund</u>	<u>Tax Collector Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
<b><u>AMOUNTS DUE TAXING BODIES AND OTHERS JUNE 30, 2011</u></b>	<b><u>\$ 6,394,732</u></b>	<b><u>\$ 223,675</u></b>	<b><u>\$ 18,041,959</u></b>	<b><u>\$ 480,698</u></b>	<b><u>\$ 25,141,064</u></b>
<b><u>ADDITIONS</u></b>					
Deposits:					
Suits, successions, etc.	23,547,624	-	-	-	23,547,624
Garnishments	4,044,002	-	-	-	4,044,002
Surety Bonds	493,133	-	-	-	493,133
Taxes, fees, etc. paid to tax collector	-	-	411,358,202	-	411,358,202
Interest on investments	-	-	1,181,835	-	1,181,835
Other Additions					
Prisoner deposits	-	472,921	-	-	472,921
Evidence cash received	-	-	-	369,916	369,916
Total additions	<u>28,084,759</u>	<u>472,921</u>	<u>412,540,037</u>	<u>369,916</u>	<u>441,467,633</u>
<b><u>REDUCTIONS</u></b>					
Taxes, fees, etc. distributed					
to taxing bodies and others	-	-	412,358,478	-	412,358,478
Payments to litigants, etc	17,196,337	-	-	-	17,196,337
Fees to Sheriff and Clerk of Court	8,827,951	-	-	-	8,827,951
Surety bond forfeitures	56,393	-	-	-	56,393
Surety bond refunds	598,362	-	-	-	598,362
Refunds to released inmates and prisoner program disbursements	-	457,210	-	-	457,210
Authorized program disbursements	-	-	-	186,828	186,828
Total reductions	<u>26,679,043</u>	<u>457,210</u>	<u>412,358,478</u>	<u>186,828</u>	<u>439,681,559</u>
Change in amounts due taxing bodies and others	<u>1,405,716</u>	<u>15,711</u>	<u>181,559</u>	<u>183,088</u>	<u>1,786,074</u>
<b><u>AMOUNTS DUE TAXING BODIES AND OTHERS JUNE 30, 2012</u></b>	<b><u>\$ 7,800,448</u></b>	<b><u>\$ 239,386</u></b>	<b><u>\$ 18,223,518</u></b>	<b><u>\$ 663,786</u></b>	<b><u>\$ 26,927,138</u></b>

**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 the financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2012, which collectively comprise the Sheriff's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Sheriff is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. *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.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

We have also issued a letter to management dated December 27, 2012 identifying certain opportunities for strengthening internal control over financial reporting.

This report is intended for the information of the Sheriff, management, federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Pastlethwaite & Metterville*

Baton Rouge, Louisiana  
December 27, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the East Baton Rouge Parish Sheriff's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The East Baton Rouge Parish Sheriff's (the "Sheriff") major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Sheriff's management. Our responsibility is to express an opinion on the Sheriff's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Sheriff's compliance with those requirements.

In our opinion the Sheriff complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-3.

**Internal Control Over Compliance**

Management of the Sheriff is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Sheriff's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 East Baton Rouge Parish 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-3. *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.

The Sheriff's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Sheriff's response and, accordingly, we express no opinion on the response.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the Sheriff as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in that audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Sheriff's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Sheriff's compliance but not to provide an opinion on the effectiveness of the Sheriff's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Portthwaite + Nettanville*

Baton Rouge, Louisiana  
December 27, 2012

**East Baton Rouge Parish Sheriff**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

<b>FEDERAL DEPARTMENT/PASS-THROUGH ENTITY/PROGRAM</b>	<b>CFDA #</b>	<b>Grant #</b>	<b>EXPENDED</b>
<b><u>United States Department of Justice</u></b>			
<b><u>Direct Programs</u></b>			
<i>Office of Justice Programs</i>			
Justice Assistance Grant 2009	16 738	2009-DJ-BX-0577	12,670
Justice Assistance Grant 2009 - ARRA	16 804	2009-SB-B9-2897	19,052
Justice Assistance Grant 2010	16 738	2010-DJ-BX-1636	131,395
Justice Assistance Grant 2011	16 738	2011-DJ-BX-3127	151,851
<b><u>Passed Through</u></b>			
<i>Louisiana Commission on Law Enforcement and Administration of Criminal Justice</i>			
COPS Hiring Program	16 710	2011-UL-WX-0016	138,528
Violent Crime Task Force	16 738	B10-5-041	16,360
Violent Crime Task Force	16 738	B11-5-014	7,322
Targeting Violent Criminals	16 738	B105-015	26,478
Multi-Jurisdictional Task Force	16 738	B09-5-012	60,425
Crime Victims Unit	16 575	C10-5-012	31,163
Total United States Department of Justice			<u>595,244</u>
<b><u>United States Department of Transportation</u></b>			
<b><u>Passed Through</u></b>			
<i>Louisiana Department of Public Safety and Corrections</i>			
State and Community Highway safety	20 600	2011-30-39	3,225
Highway Planning and Construction	20 205	2011-30-39	1,612
Alcohol Impaired Driving Countermeasures incentive Grants	20 601	2011-30-39	2,822
Alcohol Impaired Driving Countermeasures incentive Grants	20 601	2011-30-39	5,778
LHSC 2011	20 600	2011-30-01-02	1,490
State and Community Highway Safety	20 600	2012-30-25	46,460
Highway Planning and Construction	20 205	2012-30-25	17,600
Alcohol Impaired Driving Countermeasures incentive Grants	20 601	2012-30-25	41,360
Total United States Department of Transportation			<u>120,347</u>
<b><u>United States Department of Homeland Security</u></b>			
<b><u>Passed Through</u></b>			
<i>Governor's Office of Homeland Security &amp; Emergency Preparedness</i>			
Disaster Grants - Public Assistance (FEMA)	97 036		116,233
SHSP 09 (Homeland Security)	97 067	2009-SS-T9-0059	494,016
UASI 09 (Homeland Security)	97 067	2009-SS-T9-0059	659,988
CCP 09 (Homeland Security)	97 067	2009-SS-T9-0059	3,535
MMRS 09 (Homeland Security)	97 071	2009-SS-T9-0059	206,041
SHSP 10 (Homeland Security)	97 067	2010-EP-EO-0058	124,309
UASI 10 (Homeland Security)	97 067	2010-SS-T0-0043	949,394
Total United States Department of Homeland Security			<u>2,553,516</u>
Total Expenditures			<u>\$ 3,269,107</u>

See accompanying notes to this schedule

- 1 - IAG Program Chapter  
2 - Highway Safety Chapter



**EAST BATON ROUGE PARISH SHERIFF**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – PROGRAM CLUSTERS**

Part 5 of the June 2012 A-133 Compliance Supplement identifies those programs that are considered to be clusters of programs as defined by OMB Circular A-133. A cluster of programs means Federal programs with different CFDA numbers that are defined as a cluster of programs because they are closely related programs that share common compliance requirements. The accompanying schedule of expenditures of federal awards include the following clusters of programs.

**United States Department of Justice - JAG Program Cluster**

<b><u>CFDA</u></b>	<b><u>Program Title</u></b>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	Recovery Act – Grants to Units of Local Governments

**United States Department of Transportation - Highway Safety Cluster**

<b><u>CFDA</u></b>	<b><u>Program Title</u></b>
20.600	State and Community Highway Safety
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants

**EAST BATON ROUGE PARISH SHERIFF**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

**A. Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

**Internal Control over Financial Reporting.**

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

Noncompliance material to financial statements noted?

       yes   X   no

***Federal Awards***

**Internal control over major programs:**

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

  X   yes        no

Identification of major programs:

**CFDA Numbers**  
97.067

**Name of Federal Program or Cluster**  
Homeland Security Grant Program

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000

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, 2012**

**B. Findings – Financial Statement Audit**

**2012-1 Capital Assets**

<b>Criteria:</b>	Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions. Additions and disposals should be recorded and documented with proper authorization and reconciled to general ledger activity timely. Physical inventories, which verify the existence and completeness of the inventory listings should be performed routinely.
<b>Condition:</b>	<p>The Sheriff's process of maintaining the inventory of capital assets does not include the following:</p> <ul style="list-style-type: none"><li>• Fully identifying and recording all donated assets.</li><li>• Reconciling capital outlay expenditures to capital asset additions</li><li>• Conducting a comprehensive controlled inventory of capital assets. Random inventories of segments of the inventory are conducted but is not controlled and planned in such a way that the entire inventory is verified in a given year.</li></ul>
<b>Effect:</b>	Capital assets may be misstated in the financial statements and may be subject to unauthorized use without timely detection.
<b>Cause:</b>	The voluminous capital asset listing is manually maintained on a spreadsheet. The inventory is updated infrequently. Further, the process of maintaining the listing does not include controls described above, that may help ensure the completeness and existence of the assets listed.
<b>Recommendation:</b>	<p>We recommend the following:</p> <ul style="list-style-type: none"><li>• The Sheriff reconcile the activity in capital outlay and other capital expenditure accounts in the general ledger to additions in the capital asset system on a monthly basis.</li><li>• Instruct Purchasing, Grants Administration, the Range and other departments likely to receive donated law enforcement equipment to notify the Finance Department of these donations.</li><li>• Perform a comprehensive inventory of capital assets at least once every two years, but preferably annually.</li><li>• Consider utilizing a specialized capital asset application that will be more conducive to recording additions and deletions, reconciling to the general ledger capital outlay expenditures, computing depreciation expense, conducting inventories and identifying the source of funds if applicable for each asset.</li></ul>
<b>Management's Response:</b>	Management concurs and will implement improved controls immediately.

**EAST BATON ROUGE PARISH SHERIFF**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

**2012-2 Bid Law**

<b>Criteria:</b>	LaR.S.38:2212 (the state bid law) requires public entities to solicit sealed bids for purchases of materials and supplies in excess of \$30,000 and to make said purchase from the lowest qualified bidder.
<b>Condition:</b>	Purchases of a food product (orange juice) for the East Baton Rouge Parish Prison were made from a vendor that was not awarded the contract for that food product. Total purchases from that vendor were approximately \$185,000.
<b>Effect:</b>	The Sheriff is non-compliant with the statute. Furthermore, terms of the contract with the award winning supplier may have been violated.
<b>Cause:</b>	Purchasing department personnel (at the time when purchase were made) did not consider the consequences of decisions made to change suppliers.
<b>Recommendation:</b>	Purchasing department should be trained in, or reminded of, their responsibilities to comply with the state bid law.
<b>Management's Response:</b>	Management concurs and will implement improved controls immediately.

**C. Findings and Questioned Costs – Major Federal Award Programs**

**2012-3 Equipment Used In Federal Programs**

<b>Criteria:</b>	OMB Circular A-102 requires that equipment or other capital assets purchased through federal grants be identified as having been purchased through a federal program within a grantee's capital asset records.
<b>Condition:</b>	A piece of equipment was purchased during the fiscal year through the Homeland Security Grant which was not identified with a federal grant in the property control system.

**EAST BATON ROUGE PARISH SHERIFF**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

**Findings and Questioned Costs – Major Federal Award Programs (continued)**

**2012-3 Equipment Used In Federal Programs (continued)**

<b>Effect:</b>	Assets acquired and used in a federal program are not consistently identified as having been purchased with federal grant funds in the fixed asset system. Without such identification, upon sale or disposition of the asset, the federal agency or program might not receive the benefit of the sale proceeds.
<b>Questioned Costs:</b>	\$ - 0 -
<b>Cause:</b>	This appears to have been an oversight, since the Sheriff's Office has a process for identifying federally funded fixed assets.
<b>Recommendation:</b>	We recommend the Sheriff's Office exercise care to prevent such oversights in the future, such as more frequent reconciliations and reviews by the accounting department at interim periods of the year.
<b>Management's Response:</b>	Management concurs and will implement improved controls immediately.

December 27, 2012

Honorable Sid Gautreaux, Sheriff  
East Baton Rouge Parish, LA

In planning and performing our audit of the financial statements of the East Baton Rouge Parish Sheriff's Office as of and for the year ended June 30, 2012, we considered the Sheriff's internal controls, compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures, and other matters for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of an internal control matter that represents an opportunity for enhanced internal controls for compliance with laws and regulations and financial reporting. The following paragraphs summarize our comments and suggestions regarding this matter. This letter does not affect our report dated December 21, 2012 on the financial statements of the Sheriff.

**Budgetary controls and processes**

**Condition:** The Sheriff employs a system of budgetary controls, and has operated, in totality, within budget constraints. However, the current system employed to monitor compliance within his budget lacks formality. Certain line items may exceed the allotted budget without a formal process to hold departments or divisions accountable or to address the reasons for the excess expenditures.

**Effects:** Without more formalized budgetary controls, expenditures could significantly exceed resources available and result in unanticipated operating deficits and reduction of fund balance. Additionally, unauthorized use or misuse of public funds might go undetected.

**Recommendation:** We recommend that the Sheriff's office consider employing a more formal method of monitoring the budget and controlling costs through IT system controls and/or reviews of budget to actual revenue and expenditure statements. When expenditures approach or exceed budget, actions should be taken to controls costs, or to seek available funds or savings from other budget areas.

**Management's Response** *Management agrees with the auditors' comment and will develop formalized budgetary controls and processes*

We have already discussed this matter at length with the Sheriff's civil staff and we will be pleased to discuss it in further detail at your convenience. We would also like to thank all of the Sheriff's staff for their cooperation with us during the performance of the audit. This letter is intended solely for the information and use of the Sheriff, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite + Netterville*