

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

FINANCIAL REPORT

June 30, 2010

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 2/2/11

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Morehouse Parish Sheriff
Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff"), as of and for the year ended June 30, 2010, 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 opinions.

The Sheriff did not implement Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2010. Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued. The amounts by which this departure would affect the liabilities and net assets of the governmental activities are not reasonably determinable.

In our opinion, except for the effect of not accruing postemployment benefits for retired employees for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Sheriff as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sheriff as of June 30, 2010, and the respective changes in financial position thereof 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 our report dated December 17, 2010 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 the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The other supplementary 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. Except for the schedule of current insurance, the other supplementary 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, except for the schedule of current insurance, the other supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole. The schedule of current insurance has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

/s/Hill, Inzina & Co.

December 17, 2010

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of Morehouse Parish Sheriff's (the "Sheriff") annual financial report, the Sheriff's management is pleased to provide this narrative discussion and analysis of the financial activities of the Sheriff for the fiscal year ended June 30, 2010. The Sheriff's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This management's discussion and analysis document 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 financial statements. The notes will relate directly to individual financial statements and serve as the written explanation for same. The Sheriff also includes in this report budgetary comparison schedules which are required supplementary information. Also included as other supplementary information is a combining balance sheet for fiduciary funds, a combining schedule of changes in unsettled balances due to taxing bodies and others, a schedule of current insurance, and a schedule of expenditures of federal awards.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the Sheriff's finances in a way similar to what a private sector business would do. The two basic financial statements used in this area are the statement of net assets and the statement of activities.

The statement of net assets provides the reader with an overall picture of the Sheriff's assets and liabilities, with the difference between the being total net assets. This will show the financial performance from year to year of the Sheriff.

The statement of activities breaks down how net assets changed during the year. It gives a broad view of expenses and revenues and shows a beginning and ending net asset amount. This statement provides a gauge of how well the finances performed during the year.

Fund Financial Statements

A fund is a group of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sheriff uses these funds to ensure compliance with finance related laws and regulations. These statements focus on and separate the most significant funds rather than just showing everything as one unit.

Governmental funds are used to show the same functions reported as governmental activities in the government-wide financial statements. These funds are used by the Sheriff to conduct its day-to-day activities or in simpler terms, they are what funds the "business". By using the balance sheet and the statement of revenues, expenditures, and changes in fund balances, the Sheriff is able to review financial performance and plan for short and long term activities.

The two governmental funds of the Sheriff are the General Fund and the Corrections Fund. The General Fund accounts for the daily operations of the administrative staff, civil office, patrol, communications, and investigations. The Corrections Fund accounts for the daily operations of the jail and detention center and provides an annual appropriation to the General Fund. The Sheriff adopts an annual budget for both of these funds.

Fiduciary funds or agency funds are used to account for resources held for the benefit of other agencies or taxing bodies. These resources include property taxes, court fines, occupational licenses, civil fees, deputies court attendance payments, personal funds of inmates, and work release payments. These resources are not available to the Sheriff for operating use; therefore, fiduciary (agency) funds are not included in the government-wide financial statements. The Sheriff however benefits by maintaining these funds in the form of fees and commissions.

Notes to financial statements are essential reading to fully understand the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The Sheriff's total net assets decreased by \$129,238 during the year ended June 30, 2010 as compared to decreasing \$384,887 during the year ended June 30, 2009. Current year expenses were \$84,910 more than expenses in the prior year with current year revenues also being \$254,871 more than in the prior year. The following presents an analysis of net assets and changes in net assets as of June 30 of the Sheriff's governmental activities:

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets	\$ 759,194	\$ 1,209,757
Capital assets	<u>2,434,527</u>	<u>2,586,711</u>
Total assets	<u>\$ 3,193,721</u>	<u>\$ 3,796,468</u>
Liabilities:		
Current liabilities	\$ 655,953	\$ 838,121
Long-term liabilities	<u>712,575</u>	<u>1,003,916</u>
Total liabilities	<u>\$ 1,368,528</u>	<u>\$ 1,842,037</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 1,729,372	\$ 1,575,258
Restricted for debt service	2,124	86,835
Unrestricted	<u>93,697</u>	<u>292,338</u>
 Total net assets	 <u>\$ 1,825,193</u>	 <u>\$ 1,954,431</u>

	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services	\$ 5,504,680	\$ 5,617,455
Operating grants	1,063,710	909,286
Capital grants	405,194	-
General revenues:		
Property taxes	699,401	684,380
Sales taxes	1,361,641	1,523,886
State revenue sharing	98,595	99,916
Investment earnings	2,525	8,594
Other	<u>18,635</u>	<u>55,993</u>
Total revenues	\$ 9,154,381	\$ 8,899,510
Expenses - public safety	<u>(9,369,307)</u>	<u>(9,284,397)</u>
Changes in net assets	\$(214,926)	\$(384,887)
Net assets - beginning	<u>2,040,119</u>	<u>2,339,318</u>
Net assets - ending	<u>\$ 1,825,193</u>	<u>\$ 1,954,431</u>

The Sheriff's total revenues increased for the year ended June 30, 2010 primarily due to increases in operating and capital grants. Charges for services and sales taxes decreased from prior year amounts. A prior period adjustment of \$85,688 was made to the beginning net assets to record capital assets that were purchased in the previous fiscal year but not actually recorded in the capital asset records until the current fiscal year.

Governmental Fund Highlights

Revenues of the General Fund increased \$166,130 from revenues of the prior year largely due to increases in federal and local grants. The General Fund's expenditures also increased \$289,722 from expenditures of the prior year with the majority increase being for personal services and intergovernmental expenditures. For the year ended June 30, 2010, the fund balance of the General Fund decreased \$395,406. As of June 30, 2010, the General Fund reported an unreserved-undesignated fund balance of \$113,541.

Revenues of the Corrections Fund increased \$140,214 from revenues of the prior year again largely due to an increase in federal grants. The Corrections Fund's expenditures decreased \$227,051 from the prior year with the majority decrease being for personal services. The amount transferred to the General Fund increased \$209,146 from the prior year amount. The net change in the Correction Fund's fund balance for the year ended June 30, 2010 was a \$108,415 increase. As of June 30, 2010, the Corrections Fund reported \$2,124 as fund balance restricted for debt service and \$275,277 as unreserved-undesignated fund balance.

Budgetary Highlights

The Sheriff amended the budgets of the General Fund and Corrections Fund one time during the year ended June 30, 2010. The General Fund's actual revenues and other financing sources exceeded budgeted revenues and other financing sources by \$558,832 while its actual expenditures were \$471,605 more than budgeted expenditures. The large variances between budgeted and actual amounts in the General Fund were a result of the Sheriff's failure to budget for Homeland Security revenues and expenditures that are included in the General Fund for reporting purposes. The actual revenues of the Corrections Fund exceeded budgeted revenues by \$68,726 while actual expenditures and other financing uses were \$119,320 less than budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

As of the June 30, 2010, the Sheriff had capital assets (net of accumulated depreciation) totaling \$2,434,527. Capital assets include buildings and improvements, equipment, and vehicles individually costing \$2,500 or more.

The Sheriff's additions to capital assets during the year ended June 30, 2010 costs \$97,297 and included the purchase of a vehicle, phone system, and security system. Additional information about the Sheriff's capital assets is presented in the notes to financial statements.

The Sheriff had \$1,000,276 in long-term obligations outstanding as of June 30, 2010. This amount included a bank loan, a capital lease, and accrued compensated absences. Interest expense paid on these long-term obligations was \$50,880 for the year ended June 30, 2010. The Sheriff also obtained a \$500,000 short-term bank loan in December 2009 that was repaid before June 30, 2010. Interest expense paid on this loan was \$14,605. Additional information about the Sheriff's debt is presented in the notes to financial statements.

Economic Factor's and Next Year's Budget

The budgets of the General Fund and the Corrections Fund adopted for the year ending June 30, 2011 are fairly consistent with the prior year's budgets. In July 2010, the Sheriff made an across the board pay cut that should reduce personal service expenditures by approximately \$180,000. Federal grant revenue will continue to increase in the Corrections Fund due to the Rural Law Enforcement program being in effect for the entire fiscal year. The Sheriff obtained a \$500,000 bank loan in December 2010 to help with cash flow needs until the 2010 property tax revenues are received. The loan is due on June 30, 2011.

Request for Information

This report is designed to provide an overview of the Sheriff's financial performance for the audited year. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Morehouse Parish Sheriff Mike Tubbs, 351 South Franklin Street, Bastrop, LA 71220.

BASIC FINANCIAL STATEMENTS

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash	\$ 117,641	\$ 9,099
Receivables	641,553	11,354
Capital assets, net of accumulated depreciation	<u>2,434,527</u>	<u>-</u>
Total assets	<u>\$ 3,193,721</u>	<u>\$ 20,453</u>
LIABILITIES		
Accounts payable	\$ 150,023	\$ 9,522
Accrued salaries	209,304	-
Payroll withholdings payable	8,925	-
Long-term liabilities:		
Due within one year	287,701	-
Due within more than one year	<u>712,575</u>	<u>-</u>
Total liabilities	<u>\$ 1,368,528</u>	<u>\$ 9,522</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,729,372	\$ -
Restricted for debt service	2,124	-
Unrestricted	<u>93,697</u>	<u>10,931</u>
Total net assets	<u>\$ 1,825,193</u>	<u>\$ 10,931</u>
Total liabilities and net assets	<u>\$ 3,193,721</u>	<u>\$ 20,453</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES
As of and for the Year Ended June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
Expenses:		
Public safety	\$(9,369,307)	\$(27,060)
Program revenues:		
Charges for services	5,504,680	-
Operating grants	1,063,710	-
Capital grants	<u>405,194</u>	<u>22,710</u>
Net (expense) revenue	<u>\$(2,395,723)</u>	<u>\$(4,350)</u>
General revenues:		
Property taxes	\$ 699,401	\$ -
Sales taxes	1,361,641	-
State revenue sharing	98,595	-
Interest	2,525	4
Miscellaneous	<u>18,635</u>	<u>6,628</u>
Total general revenues	<u>\$ 2,180,797</u>	<u>\$ 6,632</u>
Change in net assets	\$(214,926)	\$ 2,282
Net assets - beginning	1,954,431	8,649
Prior period adjustment	<u>85,688</u>	<u>-</u>
Net assets - ending	<u>\$ 1,825,193</u>	<u>\$ 10,931</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Totals</u>
ASSETS			
Cash	\$ 48,848	\$ 68,793	\$ 117,641
Receivables	228,688	408,518	637,206
Due from other funds	4,347	22,682	27,029
 Total assets	 \$ 281,883	 \$ 499,993	 \$ 781,876
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 29,114	\$ 120,909	\$ 150,023
Accrued salaries	107,621	101,683	209,304
Payroll withholdings payable	8,925	-	8,925
Due to other funds	22,682	-	22,682
Total liabilities	\$ 168,342	\$ 222,592	\$ 390,934
 Fund balances:			
Reserved for debt service	\$ -	\$ 2,124	\$ 2,124
Unreserved - undesignated	113,541	275,277	388,818
Total fund balances	\$ 113,541	\$ 277,401	\$ 390,942
 Total liabilities and fund balances	 \$ 281,883	 \$ 499,993	 \$ 781,876

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Corrections Fund</u>	<u>Totals</u>
Revenues:			
Taxes:			
Property	\$ 703,564	\$ -	\$ 703,564
Sales	1,361,641	-	1,361,641
Intergovernmental:			
Federal grants	451,459	265,655	717,114
State grants	748,886	-	748,886
Local grants	101,500	-	101,500
Fees, charges, and commissions for services	406,751	5,089,700	5,496,451
Interest	1,404	1,121	2,525
Other revenues	<u>52,115</u>	<u>5,519</u>	<u>57,634</u>
Total revenues	<u>\$ 3,827,320</u>	<u>\$ 5,361,995</u>	<u>\$ 9,189,315</u>
Expenditures:			
Current:			
Public safety:			
Personal services	\$ 3,324,916	\$ 3,004,456	\$ 6,329,372
Operating services	428,537	446,854	875,391
Materials and supplies	393,869	1,139,061	1,532,930
Travel and other charges	61,554	4,677	66,231
Debt service	80,652	291,132	371,784
Capital outlay	128,237	7,400	135,637
Intergovernmental	<u>167,840</u>	<u>-</u>	<u>167,840</u>
Total expenditures	<u>\$ 4,585,605</u>	<u>\$ 4,893,580</u>	<u>\$ 9,479,185</u>

(continued)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
As of and for the Year Ended June 30, 2010

	General <u>Fund</u>	Corrections <u>Fund</u>	<u>Totals</u>
Excess (deficiency) of revenues over expenditures	\$(758,285)	\$ 468,415	\$(289,870)
Other financing sources (uses):			
Operating transfers in (out)	\$ 360,000	\$(360,000)	\$ -
Insurance recovery	<u>2,879</u>	<u>-</u>	<u>2,879</u>
Total other financing sources (uses)	<u>\$ 362,879</u>	<u>\$(360,000)</u>	<u>\$ 2,879</u>
Net changes in fund balances	\$(395,406)	\$ 108,415	\$(286,991)
Fund balances - beginning	<u>508,947</u>	<u>168,986</u>	<u>677,933</u>
Fund balances - ending	<u>\$ 113,541</u>	<u>\$ 277,401</u>	<u>\$ 390,942</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of and for the Year Ended June 30, 2010

Total fund balances - governmental funds balance sheet	\$ 390,942
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,434,527
Long-term liabilities, including a bank loan, a capital lease, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,000,276)</u>
Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 1,825,193</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

As of and for the Year Ended June 30, 2010

Net change in fund balances - governmental funds	\$(286,991)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(192,782)
In the statement of activities, only the loss on the disposal of fixed assets is reported, whereas in the governmental funds, the proceeds from disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book values of the assets.	(37,812)
Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(3,639)
Governmental funds report principal payments on long-term obligations as an expense when actually paid. However, in the statement of activities, principal payments are reported as reductions of the related debt. This is the amount related to this reporting difference.	<u>306,298</u>
Change in net assets of governmental activities - government-wide statement of activities	<u>\$(214,926)</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2010

ASSETS

Cash and cash equivalents	\$ 802,179
Due from others	86,186
Investments	<u>223,523</u>
Total assets	<u>\$ 1,111,888</u>

LIABILITIES

Due to other funds	\$ 4,347
Due to taxing bodies and others	<u>1,107,541</u>
Total liabilities	<u>\$ 1,111,888</u>

See notes to financial statements.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2010

Note 1. Organization and Summary of Significant Accounting Policies

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the 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 also 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 and anti-drug abuse programs. Additionally, the sheriff, when requested, provides assistance to other law enforcement agencies within the parish.

As the ex-officio tax collector of the parish, the sheriff is responsible for the collection and distribution of ad valorem property taxes; occupational licenses; beer and liquor licenses; state revenue sharing; and fines, costs, and bond forfeitures imposed by the district court.

The more significant accounting policies of Morehouse Parish Sheriff (the "Sheriff") are described as follows:

Basis of Presentation:

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

Financial Reporting Entity:

As the governing authority of the parish, for reporting purposes, Morehouse Parish Police Jury is the financial reporting entity for Morehouse Parish. The sheriff is an independently elected official that is not fiscally dependent on Morehouse Parish Police Jury. Therefore, the Sheriff is not a component unit of the financial reporting entity for Morehouse Parish.

NOTES TO FINANCIAL STATEMENTS

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining which component units should be considered part of the Sheriff for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the Sheriff to impose its will on that organization and/or,
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Sheriff.
2. Organizations for which the Sheriff does not appoint a voting majority but are fiscally dependent on the Sheriff.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Sheriff (the primary government) and its component unit.

Component units that are legally separate from the Sheriff, but are financially accountable to the Sheriff, or whose relationship with the Sheriff is such that exclusion would cause the Sheriff's financial statements to be misleading or incomplete are discretely presented. The component unit column on the statement of net assets and on the statement of activities include the financial data of Morehouse Dare Inc. ("DARE"), the discretely presented component unit. The component unit's data is reported in a separate column to emphasize that it is legally separate from the Sheriff. The purpose of DARE is to develop, promote, monitor, and evaluate the drug awareness program parish wide. DARE is financially accountable to the Sheriff because (1) the director of DARE is an employec of the Sheriff (criteria 1. above), and (2) because the Sheriff can compose its will on DARE by the Sheriff's ability to affect the activities and level of service performed by DARE (criteria 1.a. above). In addition, the Sheriff provides funding in the form of state grant funds being passed through to the organization and the Sheriff has the ability to reassign or dismiss those persons responsible for the day-to-day operations of DARE.

NOTES TO FINANCIAL STATEMENTS

Fund Accounting:

The Sheriff uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Funds of the Sheriff are classified into categories of governmental and fiduciary fund types. Each category, in turn, is divided into separate funds. The fund types and a description of each existing fund follows:

Governmental funds:

Governmental funds account for all of the Sheriff's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Sheriff. The following are the Sheriff's governmental funds:

General Fund - the primary operating fund of the Sheriff and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Sheriff's policy.

Corrections Fund - used to account for the operation and maintenance of Morehouse Parish Jail Annex and Collinston Detention Center. The primary source of revenue is state funds for feeding and maintaining state prisoners.

Fiduciary funds:

Fiduciary fund reporting focuses on net asset and changes in net assets. The only funds accounted for in this category by the Sheriff are agency funds. The agency funds account for assets held by the Sheriff as an agent for various taxing bodies (tax collections, fines, and licenses), deposits held pending court action, inmates' personal funds, and funds earned by inmates under the work release program. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Government-wide financial statements:

The statement of net assets and statement of activities display information about the Sheriff as a whole. These statements include all financial activities of the Sheriff except the fiduciary funds. Information contained in these statements reflect the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange occurs regardless of when cash is received or disbursed.

Program revenues:

Program revenues included on the statement of activities are derived directly from users as a fee or services or are grants that are restricted to meeting the requirement of a particular program. Program revenues reduce the cost of the function to be financed from the Sheriff's general revenues.

Fund financial statements:

The amounts reflected in the balance sheet and statement of revenues, expenditures, and changes in fund balances report using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Sheriff's operations.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Sheriff considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal payments on long-term debt which are recognized when due and compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

NOTES TO FINANCIAL STATEMENTS

Revenues:

Ad valorem taxes and the related state revenue sharing are recorded as revenue in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the fiscal year.

Sales and use taxes are recognized as revenue when received by the Sheriff's collection agent, Morehouse Parish Sales and Use Tax Commission. Intergovernmental revenues and fees, charges, and commissions for services are recorded when the Sheriff is entitled to the funds. Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

Based on the above criteria, ad valorem taxes; state revenue sharing; sales and use taxes; intergovernmental revenues; and fees, charges, and commissions for services are treated as susceptible to accrual.

Expenditures:

Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred.

Other financing sources (uses):

Transfers between funds which are not expected to be repaid and insurance proceeds are accounted for as other financing sources (uses) and are recognized when the underlying events occur.

Budgets and Budgetary Accounting:

Proposed budgets for the General Fund and Corrections Fund are prepared on the modified accrual basis of accounting and published in the official journal prior to the public hearing. Public hearings are held at the Sheriff's office during the month of June for comments from taxpayers. The budgets are then legally adopted by the Sheriff and amended during the year, as necessary. Budgets are established and controlled by the Sheriff at the object level of expenditure. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

Encumbrance accounting is not used. However, formal budgetary integration is employed as a management control device during the fiscal year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

Cash and Cash Equivalents:

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

Investments:

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of time deposits exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. As of June 30, 2010, the agency funds' investments consisted of non-negotiable certificates of deposit with original maturities that exceeded 90 days and are reported in the accompanying financial statements at cost, which approximates market value.

Short-Term Interfund Receivables/Payables:

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Sheriff is of the opinion that such allowance would be immaterial in relation to the basic financial statements taken as a whole.

Capital Assets:

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded at their estimated fair market value on the date of donation. The Sheriff maintains a threshold level of \$2,500 or more for capitalizing assets.

NOTES TO FINANCIAL STATEMENTS

Capital assets and depreciation are recorded in the statement of net assets and statements of activities, respectively. As surplus assets are sold for immaterial amounts when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Equipment	5 - 15 years
Vehicles	5 years

Compensated Absences:

Employees of the Sheriff earn from ten to 30 days of vacation leave each year, depending on length of service. All accrued vacation days are to be taken prior to the employee's next anniversary date unless approved for carryover by the chief deputy or sheriff. Employees earn three to six hours of sick leave each pay period, depending on length of service, up to a maximum of 156 hours per year. Sick leave accrual is unlimited. Employees earn compensatory time at the rate of one hour earned for one hour worked until 86 hours accumulated in a 14 day work period. Thereafter, time is earned at the rate of one and half times for all overtime hours worked. Employees may accumulate unused compensatory time. Accumulated compensatory time is paid to the employee in the form of days off or is paid to the employee at the employee's current rate of pay upon separation from service.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded in the government-wide financial statements as long-term liabilities. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The cost of accumulated compensatory time is reported as an expenditure of the General Fund when the employee uses the time in the form of days off or is paid for accumulated time upon separation from service.

Long-Term Liabilities:

In the government-wide financial statements, outstanding debt is reported as long-term liabilities. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for long-term debt principal and interest are recorded in the fund financial statements in the year payments are due.

NOTES TO FINANCIAL STATEMENTS

Accounting principles generally accepted in the United States of America require that postemployment benefits for retired employees be accrued and reported as liabilities in the government-wide financial statements. The Sheriff did not accrue such benefits for the year ended June 30, 2010 for the governmental activities.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into three components:

1. Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of the assets.
2. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified between designated and undesignated. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Interfund Transactions:

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

Sales and Use Taxes:

In October of 1998, voters of the parish approved a one-half of one percent ($\frac{1}{2}\%$) sales and use tax. The proceeds of the tax, after paying reasonable and necessary costs of collection, are dedicated to operation of the law enforcement district. In May 2009, the tax was renewed for ten years expiring in January 2019. The Sheriff has entered into an agreement with Morehouse Parish Sales and Use Tax Commission for collection of the tax. For its services, the collection agent receives a one and one-half percent (1.5%) collection fee.

NOTES TO FINANCIAL STATEMENTS

Estimates:

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

Note 2. Levied Tax

As provided by Louisiana Revised Statute 33:9001, a law enforcement district has been created for the purpose of providing financing to the office of the Sheriff. Louisiana Revised Statute 33:9003 requires the district to levy a tax on the assessed valuation of all property appearing on the 1977 and subsequent tax rolls in an amount that would produce for the district in the initial year the same revenue as that estimated to be produced by the Sheriff's commission on ad valorem taxes for the fiscal year ended June 30, 1977. For the 2009 tax roll, the district levied 4.78 mills on property with an assessed value of \$186,790,530.

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits with Financial Institutions

As of June 30, 2010, the Sheriff had deposits as follows:

Primary government:	
Demand deposits	\$ 919,320
Petty cash	500
Certificates of deposit	<u>223,523</u>
	\$ 1,143,343
Amounts held in Agency Funds	<u>(1,025,702)</u>
Total primary government	<u>\$ 117,641</u>
Component unit:	
Demand deposits	<u>\$ 9,099</u>

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. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the Sheriff's name by the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Bank balances as of June 30, 2010 were secured as follows:

Federal deposit insurance	\$ 1,025,892
Pledged securities	<u>877,053</u>
Total bank balances	<u>\$ 1,902,945</u>

There were no repurchase or reverse repurchase agreements as of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

A summary of receivables as of June 30, 2010 is as follows:

	<u>Primary Government</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Corrections Fund</u>	
Taxes:			
Property	\$ 16	\$ -	\$ 16
Sales	129,000	-	129,000
Intergovernmental:			
Federal grants	20,706	35,626	56,332
State grants	50,697	-	50,697
Fees, charges, and commissions for services	8,019	372,892	380,911
Other	<u>20,250</u>	<u>-</u>	<u>20,250</u>
 Total governmental funds	 <u>\$ 228,688</u>	 <u>\$ 408,518</u>	 \$ 637,206
 Due from agency funds			 <u>4,347</u>
 Total government-wide			 <u>\$ 641,553</u>

Note 5. Interfund Receivables, Payables, and Transfers

A summary of amounts due from/to other funds as of June 30, 2010 is as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 22,682	\$ 4,347
Corrections Fund	-	22,682
Fiduciary Funds - Agency Funds	<u>4,347</u>	<u>-</u>
 Totals	 <u>\$ 27,029</u>	 <u>\$ 27,029</u>

During the year ended June 30, 2010, the net amount of \$360,000 was transferred from the Corrections Fund to the General Fund to assist in funding the operations of the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets and Depreciation

Capital assets and depreciation activity of the primary government as of and for the year ended June 30, 2010 are as follows:

	Balance - July 1, <u>2009</u>	<u>Additions</u>	Retirements/ <u>Reclassifications</u>	Balance - June 30, <u>2010</u>
Buildings and improvements	\$ 3,120,892	\$ -	\$(4,115)	\$ 3,116,777
Equipment	708,635	72,556	(147,332)	633,859
Vehicles	<u>1,060,022</u>	<u>24,741</u>	<u>(21,207)</u>	<u>1,063,556</u>
Total capital assets	<u>\$ 4,889,549</u>	<u>\$ 97,297</u>	<u>\$(172,654)</u>	<u>\$ 4,814,192</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,172,005	\$ 77,920	\$(1,464)	\$ 1,248,461
Equipment	360,905	57,550	(112,835)	305,620
Vehicles	<u>684,239</u>	<u>154,609</u>	<u>(13,264)</u>	<u>825,584</u>
Total accumulated depreciation	<u>\$ 2,217,149</u>	<u>\$ 290,079</u>	<u>\$(127,563)</u>	<u>\$ 2,379,665</u>
Capital assets, net of accumulated depreciation	<u>\$ 2,672,400</u>	<u>\$(192,782)</u>	<u>\$(45,091)</u>	<u>\$ 2,434,527</u>

All of the depreciation expense is included in public safety expenses of the primary government on the statement of activities.

During the year ended June 30, 2010, the Sheriff changed the threshold level for capitalizing assets from \$1,000 to \$2,500. Of the retirements/reclassifications disclosed above, approximately 75% resulted from the increased threshold level.

Note 7. Short-Term Debt

On December 10, 2009, the Sheriff obtained a revenue anticipation loan in the amount of \$500,000 to meet cash flow needs until 2009 property tax revenues were collected. The principal balance and interest totaling \$14,604 were repaid on June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Liabilities

The following is a summary of the transactions of the primary government's long-term liabilities for the year ended June 30, 2010:

	<u>Compensated Absences</u>	<u>Bank Loan</u>	<u>Capital Leases</u>	<u>Totals</u>
Balance - July 1, 2009	\$ 298,760	\$ 920,660	\$ 90,793	\$ 1,310,213
Additions	101,800	-	-	101,800
Retirements	(108,548)	(244,339)	(61,959)	(414,846)
Adjustment	<u>3,109</u>	<u>-</u>	<u>-</u>	<u>3,109</u>
 Balance - June 30, 2010	 <u>\$ 295,121</u>	 <u>\$ 676,321</u>	 <u>\$ 28,834</u>	 <u>\$ 1,000,276</u>

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities of the primary government as of June 30, 2010:

	<u>Compensated Absences</u>	<u>Bank Loan</u>	<u>Capital Leases</u>	<u>Totals</u>
Current portion	\$ -	\$ 258,867	\$ 28,834	\$ 287,701
Long-term portion	<u>295,121</u>	<u>417,454</u>	<u>-</u>	<u>712,575</u>
 Totals	 <u>\$ 295,121</u>	 <u>\$ 676,321</u>	 <u>\$ 28,834</u>	 <u>\$ 1,000,276</u>

The adjustment to compensated absences resulted from differences between beginning and ending rates of pay for compensatory time. As of June 30, 2010, employees of the Sheriff had accumulated and vested \$295,121 of compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2010 is reported in the statement of net assets as long-term liabilities as the Sheriff does not anticipate liquidating the liability with current available expendable resources.

NOTES TO FINANCIAL STATEMENTS

During the year ended June 30, 1998, the Sheriff entered into a loan agreement for \$2,915,000. The proceeds of the loan were used to pay in full an existing loan with Farmers' Home Administration. The original loan was used for construction and furnishing of the detention center in Morehouse Parish. All debt retirement payments on the loan are made from the Corrections Fund. The loan bears interest at 5.79%. The final principal and interest payment is due December 1, 2012. The annual requirements to amortize the bank loan balance outstanding as of June 30, 2010 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 258,867	\$ 32,360	\$ 291,227
2012	274,259	16,968	291,227
2013	<u>143,195</u>	<u>2,427</u>	<u>145,622</u>
 Total requirements	 <u>\$ 676,321</u>	 <u>\$ 51,755</u>	 <u>\$ 728,076</u>

Interest costs of \$46,793 were incurred and expensed in the Corrections Fund for the year ended June 30, 2010.

The Sheriff records assets acquired under capital leases as capital assets and long-term obligations in the government-wide financial statements. On December 18, 2008, the Sheriff entered into a capital lease agreement with Ford Motor Credit for the purchase of five vehicles. The lease has an original recorded amount of \$103,844. Monthly lease payments in the amount of \$4,605 are required through November 22, 2010. On February 23, 2009, the Sheriff entered into another capital lease agreement with Ford Motor Credit for the purchase of a truck. The lease has an original recorded amount of \$20,362. Monthly lease payments in the amount of \$903 are required through January 24, 2011. Monthly payments for both leases are made from the General Fund.

NOTES TO FINANCIAL STATEMENTS

The following is a summary of future minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2010:

Year Ending <u>June 30,</u>	<u>Vehicles</u>	<u>Truck</u>	<u>Totals</u>
2011	\$ 23,026	\$ 6,321	\$ 29,347
Less amounts representing interest	<u>(376)</u>	<u>(137)</u>	<u>(513)</u>
Present value of net minimum lease payments	<u>\$ 22,650</u>	<u>\$ 6,184</u>	<u>\$ 28,834</u>

Interest costs of \$4,087 were incurred and expensed in the General Fund for the year ended June 30, 2010.

Note 9. Prior Period Adjustment

A prior period adjustment of \$85,688 was made to the net assets of the governmental activities to record capital assets that were purchased in the previous fiscal year but not actually recorded in the capital asset records until the current fiscal year.

Note 10. Risk Management

The Sheriff is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Sheriff carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the Sheriff's insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

Note 11. Restricted Net Assets and Reserved Fund Balances

In the government-wide statement of net assets and the governmental funds' balance sheet, net assets and fund balances, respectively, are reported as restricted and reserved, respectively, for debt service and are comprised of resources of the Corrections Fund set aside as required by the terms of the bank loan.

NOTES TO FINANCIAL STATEMENTS

Note 12. Pension Plan

Substantially all employees of the Sheriff are members of Louisiana Sheriffs' 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 18 years or older at the time of original employment, and who earn not less than \$400 per month if employed after September 7, 1979 and before January 1, 1991; \$550 if employed between January 1, 1991 and December 31, 1999; and \$800 if employed after January 1, 2000, are required to participate in the System. Employees are eligible to retire at or after age 55 with at least 12 years of credited service and receive a benefit, payable monthly for life, equal to 3.33 % of their final-average salary for each year of credited service. The retirement benefit cannot exceed 100% of the employee's final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 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 or amended 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 Louisiana Sheriffs' Pension and Relief Fund, 6554 Florida Boulevard, Suite 215, Baton Rouge, Louisiana 70806, or by calling (800) 586-9049.

Plan members are required by state statute to contribute 10% of their annual covered salary and the Sheriff is required to contribute at an actuarially determined rate. The current rate is 11% 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 ended June 30, 2010, 2009, and 2008 were \$529,269, \$512,897, and \$507,707, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 13. Postemployment Health Care Benefits

The Sheriff provides certain continuing health care insurance for its retired employees. Substantially all of the Sheriff's employees become eligible for these benefits if normal retirement age is attained while employed by the Sheriff. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the Sheriff. There are three retirees receiving benefits as of June 30, 2010. The Sheriff's costs of providing retirees' health care benefits are recognized as expenditures when the monthly premiums are due. For the year ended June 30, 2010, the cost of retirees' benefits totaled \$9,783.

Note 14. Changes in Agency Funds' Balances

A summary of changes for the year ended June 30, 2010 in agency funds' balances due to taxing bodies and others is as follows:

	Balance - July 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance - June 30, <u>2010</u>
Tax Collector Fund	\$ 621,807	\$ 12,388,929	\$(12,253,352)	\$ 757,384
Criminal Fund	148,006	664,578	(590,918)	221,666
Civil Fund	18,329	881,368	(876,324)	23,373
License Fund	1,798	59,429	(60,208)	1,019
Inmate Commissary Fund	167,527	753,431	(832,468)	88,490
Inmate Work Release Fund	52,062	626,694	(663,147)	15,609
Court Attendance Fund	-	8,400	(8,400)	-
Totals	<u>\$ 1,009,529</u>	<u>\$ 15,382,829</u>	<u>\$(15,284,817)</u>	<u>\$ 1,107,541</u>

Note 15. Taxes Paid Under Protest

Unsettled balances due to taxing bodies and others reported in the agency funds as of June 30, 2010 include \$668,639 of taxes paid under protest, plus interest earned to date on the investment of these funds totaling \$66,738. These funds are held pending resolution of the protest and are accounted for in the Tax Collector Agency Fund.

NOTES TO FINANCIAL STATEMENTS

Note 16. Litigation and Claims

As of June 30, 2010, the Sheriff was involved in several lawsuits. In the opinion of legal counsel, resolution of these lawsuits will not result in any liability in excess of insurance coverage.

Note 17. Expenditures of Sheriff's Office Paid by Morehouse Parish Police Jury

The Sheriff's offices were constructed by Morehouse Parish Police Jury. Certain costs of maintaining and operating the offices, as required by Louisiana Revised Statute 33:4715, are paid by Morehouse Parish Police Jury.

Note 18. Subsequent Event

In December 2010, the Sheriff obtained a \$500,000 bank loan for the purpose of paying the operating costs for the year ending June 30, 2011. The note is secured and payable from a pledge of all revenues accruing to the Sheriff's General Fund for the fiscal year ending June 30, 2011. The loan bears interest at 6% and is due on June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2010**

	<u>Budget</u>			Variance - Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:				
Taxes:				
Property	\$ 670,000	\$ 695,000	\$ 703,564	\$ 8,564
Sales	1,440,000	1,240,000	1,361,641	121,641
Intergovernmental	640,000	907,913	1,301,845	393,932
Fees, charges, and commissions for services	359,700	353,380	406,751	53,371
Interest	7,000	1,245	1,404	159
Miscellaneous	<u>10,000</u>	<u>25,629</u>	<u>52,115</u>	<u>26,486</u>
Total revenues	<u>\$ 3,126,700</u>	<u>\$ 3,223,167</u>	<u>\$ 3,827,320</u>	<u>\$ 604,153</u>
Expenditures:				
Current:				
Public safety:				
Personal services	\$ 2,985,607	\$ 3,255,000	\$ 3,324,916	\$(69,916)
Operating services	452,700	410,000	428,537	(18,537)
Materials and supplies	254,250	281,000	393,869	(112,869)
Travel and other charges	60,211	80,000	61,554	18,446
Debt service	-	66,000	80,652	(14,652)
Capital outlay	-	22,000	128,237	(106,237)
Intergovernmental	<u>-</u>	<u>-</u>	<u>167,840</u>	<u>(167,840)</u>
Total expenditures	<u>\$ 3,752,768</u>	<u>\$ 4,114,000</u>	<u>\$ 4,585,605</u>	<u>\$(471,605)</u>
Excess (deficiency) of revenues over expenditures	<u>\$(626,068)</u>	<u>\$(890,833)</u>	<u>\$(758,285)</u>	<u>\$ 132,548</u>

(continued)

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)
As of and for the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Other financing sources:				
Operating transfers in	\$ 360,000	\$ 400,000	\$ 360,000	\$(40,000)
Sale of fixed assets	5,000	5,300	-	(5,300)
Insurance recovery	<u>3,000</u>	<u>2,900</u>	<u>2,879</u>	<u>(21)</u>
Total other financing sources	<u>\$ 368,000</u>	<u>\$ 408,200</u>	<u>\$ 362,879</u>	<u>\$(45,321)</u>
Net change in fund balance	\$(258,068)	\$(482,633)	\$(395,406)	\$ 87,227
Fund balance - beginning	<u>600,000</u>	<u>508,947</u>	<u>508,947</u>	<u>-</u>
Fund balance - ending	<u>\$ 341,932</u>	<u>\$ 26,314</u>	<u>\$ 113,541</u>	<u>\$ 87,227</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - CORRECTIONS FUND
As of and for the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ 232,000	\$ 265,655	\$ 33,655
Fees, charges, and commissions for services	5,032,000	5,058,669	5,089,700	31,031
Interest	5,000	800	1,121	321
Miscellaneous	8,000	1,800	5,519	3,719
Total revenues	<u>\$ 5,045,000</u>	<u>\$ 5,293,269</u>	<u>\$ 5,361,995</u>	<u>\$ 68,726</u>
Expenditures:				
Current:				
Public safety:				
Personal services	\$ 2,591,000	\$ 3,100,000	\$ 3,004,456	\$ 95,544
Operating services	501,150	400,000	446,854	(46,854)
Material and supplies	1,249,500	1,149,500	1,139,061	10,439
Travel and other charges	5,000	6,000	4,677	1,323
Debt service	315,546	310,000	291,132	18,868
Capital outlay	-	7,400	7,400	-
Total expenditures	<u>\$ 4,662,196</u>	<u>\$ 4,972,900</u>	<u>\$ 4,893,580</u>	<u>\$ 79,320</u>
Excess of revenues over expenditures	\$ 382,804	\$ 320,369	\$ 468,415	\$ 148,046
Other financing sources (uses):				
Operating transfers in (out)	<u>(360,000)</u>	<u>(400,000)</u>	<u>(360,000)</u>	<u>40,000</u>
Net change in fund balance	\$ 22,804	\$(79,631)	\$ 108,415	\$ 188,046
Fund balance - beginning	<u>100,000</u>	<u>168,986</u>	<u>168,986</u>	<u>-</u>
Fund balance - ending	<u>\$ 122,804</u>	<u>\$ 89,355</u>	<u>\$ 277,401</u>	<u>\$ 188,046</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

NOTE TO BUDGETARY COMPARISON SCHEDULES

As of and for the Year Ended June 30, 2010

Note 1. Expenditures - Budget and Actual

The General Fund's actual expenditures and other financing uses of \$4,585,605 exceeded budgeted expenditures and other financing uses of \$4,114,000 for the year ended June 30, 2010 by \$471,605 of 11.5%.

OTHER SUPPLEMENTARY INFORMATION

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

FIDUCIARY FUND TYPES - AGENCY FUNDS

Tax Collector Fund - Article V, Section 27 of the Louisiana Constitution of 1974, provides that the Sheriff will serve as the collector of state and parish taxes and fees. The Tax Collector Fund is used to collect and distribute taxes and fees to the appropriate taxing bodies.

Criminal Fund - accounts for the collection of bonds, fines and costs, and payment of the collections to recipients in accordance with applicable laws.

Civil Fund - accounts for the collection of funds in civil suits, sheriff's sales, and garnishments and payments of these collections to recipients in accordance with applicable laws.

License Fund - accounts for the collection and distribution of parish occupational, beer, liquor, and private club licenses.

Inmate Commissary Fund - accounts for personal funds of inmates that are received and expended while they are incarcerated.

Inmate Work Release Fund - accounts for funds of inmates that are earned under the work release program.

Court Attendance Fund - accounts for the collection and disbursement of witness fees paid to deputies.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

COMBINING BALANCE SHEET -
FIDUCIARY FUND TYPES - AGENCY FUNDS
June 30, 2010

	Tax Collector Fund	Criminal Fund	Civil Fund	License Fund	Inmate Commissary Fund	Inmate Work Release Fund	Totals
ASSETS							
Cash and cash equivalents	\$ 533,861	\$ 225,956	\$ 23,430	\$ 1,019	\$ 2,304	\$ 15,609	\$ 802,179
Due from others	-	-	-	-	86,186	-	86,186
Investments	<u>223,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,523</u>
Total assets	<u>\$ 757,384</u>	<u>\$ 225,956</u>	<u>\$ 23,430</u>	<u>\$ 1,019</u>	<u>\$ 88,490</u>	<u>\$ 15,609</u>	<u>\$ 1,111,888</u>
LIABILITIES							
Due to other funds	\$ -	\$ 4,290	\$ 57	\$ -	\$ -	\$ -	\$ 4,347
Due to taxing bodies and others	<u>757,384</u>	<u>221,666</u>	<u>23,373</u>	<u>1,019</u>	<u>88,490</u>	<u>15,609</u>	<u>1,107,541</u>
Total liabilities	<u>\$ 757,384</u>	<u>\$ 225,956</u>	<u>\$ 23,430</u>	<u>\$ 1,019</u>	<u>\$ 88,490</u>	<u>\$ 15,609</u>	<u>\$ 1,111,888</u>

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

**COMBINING SCHEDULE OF CHANGES IN UNSETTLED BALANCES DUE TO TAXING
BODIES AND OTHERS - FIDUCIARY FUND TYPES - AGENCY FUNDS**

As of and for the Year Ended June 30, 2010

	<u>Tax Collector Fund</u>	<u>Criminal Fund</u>	<u>Civil Fund</u>
Unsettled balances due to taxing bodies and others - beginning	\$ 621,807	\$ 148,006	\$ 18,329
Additions:			
Deposits:			
Ad valorem taxes:			
Current year	\$ 11,403,368	\$ -	\$ -
Prior year	14,107	-	-
Paid under protest	149,100	-	-
State revenue sharing	594,037	-	-
Occupational licenses	-	-	-
Beer, liquor, and bingo licenses	-	-	-
Interest:			
Bank account	1,112	-	-
Delinquent taxes	20,947	-	-
Protested taxes held in escrow	4,639	-	-
Redemptions	118,146	-	-
Tax notices	47,314	-	-
Appearance bonds, fines, etc.	-	664,578	-
Sales	-	-	721,936
Garnishments	-	-	118,794
Other additions	36,159	-	40,638
Total additions	<u>\$ 12,388,929</u>	<u>\$ 664,578</u>	<u>\$ 881,368</u>

<u>License Fund</u>	<u>Inmate Commissary Fund</u>	<u>Inmate Work Release Fund</u>	<u>Court Attendance Fund</u>	<u>Totals</u>
\$ 1,798	\$ 167,527	\$ 52,062	\$ -	\$ 1,009,529
\$ -	\$ -	\$ -	\$ -	\$ 11,403,368
-	-	-	-	14,107
-	-	-	-	149,100
-	-	-	-	594,037
52,409	-	-	-	52,409
7,020	-	-	-	7,020
-	-	-	-	1,112
-	-	-	-	20,947
-	-	-	-	4,639
-	-	-	-	118,146
-	-	-	-	47,314
-	-	-	-	664,578
-	-	-	-	721,936
-	-	-	-	118,794
-	753,431	626,694	8,400	1,465,322
<u>\$ 59,429</u>	<u>\$ 753,431</u>	<u>\$ 626,694</u>	<u>\$ 8,400</u>	<u>\$ 15,382,829</u>

(continued)

**MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA**

**COMBINING SCHEDULE OF CHANGES IN UNSETTLED BALANCES DUE TO TAXING
BODIES AND OTHERS - FIDUCIARY FUND TYPES - AGENCY FUNDS (Continued)
As of and for the Year Ended June 30, 2010**

	<u>Tax Collector Fund</u>	<u>Criminal Fund</u>	<u>Civil Fund</u>
Reductions:			
Deposits settled to:			
Morehouse Parish Clerk of Court	\$ -	\$ 19,114	\$ 27,388
Louisiana Department of Forestry	11,141	-	-
Louisiana Tax Commission	3,662	-	-
Tensas Basin Levee District	145,068	-	-
Morehouse Parish:			
Assessor	495,624	-	-
Police Jury	1,954,344	145,113	-
School Board	5,954,736	-	-
Sheriff	877,994	87,196	166,811
Library	441,905	-	-
Ward 2 Fire District No. 1	68,681	-	-
Ward 5 Fire District No. 1	48,802	-	-
Ward 6 Fire District No. 1	76,686	-	-
Ward 8 Fire District No. 1	46,812	-	-
Ward 10 Fire District No. 1	25,574	-	-
Hospital Service District	710,811	-	-
Ward 2 Cemetery	27,742	-	-
Bonne Idee Drainage District	18,814	-	-
Bastrop Fire District No. 2	888,243	-	-
City of Bastrop	3,835	-	-
Pension Funds	330,696	-	-
Litigants	-	-	643,349
Other settlements	<u>122,182</u>	<u>339,495</u>	<u>38,776</u>
Total reductions	<u>\$ 12,253,352</u>	<u>\$ 590,918</u>	<u>\$ 876,324</u>
Unsettled balances due to taxing bodies and others - ending	<u>\$ 757,384</u>	<u>\$ 221,666</u>	<u>\$ 23,373</u>

<u>License Fund</u>	<u>Inmate Commissary Fund</u>	<u>Inmate Work Release Fund</u>	<u>Court Attendance Fund</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 46,502
-	-	-	-	11,141
-	-	-	-	3,662
-	-	-	-	145,068
-	-	-	-	495,624
48,166	2,492	-	-	2,150,115
-	-	-	-	5,954,736
12,042	208,095	-	-	1,352,138
-	-	-	-	441,905
-	-	-	-	68,681
-	-	-	-	48,802
-	-	-	-	76,686
-	-	-	-	46,812
-	-	-	-	25,574
-	-	-	-	710,811
-	-	-	-	27,742
-	-	-	-	18,814
-	-	-	-	888,243
-	-	-	-	3,835
-	-	-	-	330,696
-	-	-	-	643,349
-	<u>621,881</u>	<u>663,147</u>	<u>8,400</u>	<u>1,793,881</u>
<u>\$ 60,208</u>	<u>\$ 832,468</u>	<u>\$ 663,147</u>	<u>\$ 8,400</u>	<u>\$ 15,284,817</u>
<u>\$ 1,019</u>	<u>\$ 88,490</u>	<u>\$ 15,609</u>	<u>\$ -</u>	<u>\$ 1,107,541</u>

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF CURRENT INSURANCE (UNAUDITED)

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Expiration Date</u>
Liability (Premises Only)	First Financial Insurance Company	HGL0023583	General Aggregate - \$2,000,000 Occurrence - \$1,000,000 \$2,500 Deductible	February 19, 2011
Fidelity	Fidelity & Deposit Company	CCP1557386	\$25,000 to \$265,000	December 6, 2010
Property	Hanover Insurance Company	FH05941741	6444 Patey Road: Building - \$4,101,695 \$5,000 Deductible 4550 Reilly Street: Building - \$364,652 Contents - \$39,835 4729 Eugene Ware Road: Building - \$91,162 Contents - \$8,853 1135 Leavell Street: Contents - \$12,646	July 8, 2010

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
United States Department of Justice/ Bureau of Justice Assistance/ ARRA FY 2009 Recovery Act JAG Program	16.804	2009-SB-B9-3029	\$ 18,353
ARRA Rural Law Enforcement Enhancing Jail Operations	16.810	2009-SD-B9-0182	254,165
United States Department of Homeland Security/ Louisiana Governor's Office of Homeland Security and Emergency Preparedness/ Hazard Mitigation Grant	97.039	FEMA-1603-DR-LA-0079	206,180
Emergency Management Performance Grant	97.042	2009-EF-E9-0004	40,445
Homeland Security Grant Program	97.067	VARIOUS	<u>197,971</u>
 Total expenditures of federal awards			 <u>\$ 717,114</u>

See note to schedule of expenditures of federal awards.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the Year Ended June 30, 2010

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Sheriff and is being 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 presentation of, the financial statements.

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S 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

Morehouse Parish Sheriff
Bastrop, Louisiana

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff"), as of and for the year ended June 30, 2010, which collectively comprise the Sheriff's basic financial statements and have issued our report thereon dated December 17, 2010. 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Sheriff's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, 2010-3, and 2010-4 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-5, 2010-6, and 2010-7.

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

This report is intended solely for the information and use of management, others within the organization, federal and state awarding agencies, and pass-through entities 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 Louisiana Legislative Auditor as a public document.

/s/Hill, Inzina & Co.

December 17, 2010

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S 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

Morehouse Parish Sheriff
Bastrop, Louisiana

Compliance

We have audited the compliance of Morehouse Parish Sheriff (the "Sheriff"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Sheriff's major federal programs for the year ended June 30, 2010. The Sheriff's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 on 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-8 and 2010-9.

Internal Control Over Compliance

The 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 the requirements that could have a direct and material effect on a major federal program in order 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 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 the 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 2010-10. 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, federal awarding agencies, and pass-through entities 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 Louisiana Legislative Auditor as a public document.

/s/Hill, Inzina & Co.

December 17, 2010

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
For the Year Ended June 30, 2010

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2010, which collectively comprise the Sheriff's basic financial statements and have issued our report thereon dated December 17, 2010. 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. Our audit of the financial statements as of June 30, 2010 resulted in a qualified opinion on the governmental activities and an unqualified opinion on the discretely presented component unit, each major fund, and the aggregate remaining fund information.

Section I - Summary of Auditor's Reports

- a. 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*

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Material to Financial Statements Yes No

- b. 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

Type of Opinion on Compliance
for Major Programs

Unqualified Qualified
Disclaimer Adverse

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

c. Identification of Major Program:

CFDA Number 97.067
Homeland Security Grant Program

CFDA Number 97.039
Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000
Is the auditee a 'low risk' auditee, as defined by OMB Circular A-133? Yes No

Section II - Financial Statement Findings

2010-1 Inadequate Controls over Financial Reporting (initially cited as of and for the year ended June 30, 2008)

Criteria: Management of the Sheriff should have suitable skill, knowledge, or experience to prepare financial statements, related notes, and supplementary information in accordance with accounting principles generally accepted in the United States of America. Internal controls should be adopted and implemented to prevent, detect, or correct a misstatement in the financial statements, related notes, or supplementary information.

Condition: The following deficiencies were noted in controls over financial reporting:

1. Although management of the Sheriff does not actually prepare and draft the financial statements, related notes, and supplementary information, they do have the capability and experience to oversee the process. They provide all of the information to be included and they understand the presentation.
2. Postemployment benefits for retired employees were not accrued as of June 30, 2010 as required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Effect: Misstatements in the financial statements, related notes, or supplementary information may occur and not be detected within a timely period. The amounts by which not implementing GASB Statement No. 45 would affect the liabilities and net assets of the governmental activities are not known.

Recommendation: Management should make a determination as to whether the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefit to be derived from doing so.

Management of the Sheriff should also take the necessary steps to record postemployment benefits for retired employees in accordance with GASB Statement No. 45.

Management's response and planned corrective action:

The accrual required by GASB Statement No. 45 was calculated for the year ended June 30, 2010 but was not submitted to the auditor in time to be recorded. It will be completed for the year ending June 30, 2011 within two to three months after the end of the year. At present time, it is not economically feasible to hire additional personnel.

2010-2 Improvement of Controls over Expenditures/Disbursements (initially cited as of and for the year ended June 30, 2001)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations or in accordance with applicable laws and regulations.

Condition: The following deficiencies were noted in controls over expenditures/disbursements:

1. Eight out of 60 (13%) disbursements examined were not supported by properly prepared purchase requisitions as required by the purchasing policy. All of these exceptions were disbursements of the Corrections Fund.
2. Seven out of 60 (12%) disbursements examined were not supported by properly prepared purchase orders as required by the purchasing policy. Six of these exceptions were also disbursements of the Corrections Fund.

3. Capital assets totaling \$38,340 purchased with a Homeland Security grant that met the criteria for capitalization were not considered for inclusion on the capital asset listing as of June 30, 2010.
4. Bid files did not contain adequate documentation of two purchases made under state contract.

Effect: The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations or in accordance with applicable laws and regulations.

Recommendation: The following recommendations are made with regards to improving controls over expenditures/disbursements:

1. Purchase requisitions and purchase orders should be properly prepared in accordance with established purchasing procedures with purchase orders attached to the supporting invoice.
2. Invoices for purchases of fixed assets that meet the criteria for capitalization should be forwarded to the employee responsible for maintaining capital asset records.
3. Bid files should contain sufficient documentation that demonstrates that the item purchased was under state contract.

Management's response and planned corrective action: We concur with the findings. Management will look closer at these transactions to help ensure that the recommendations are implemented.

2010-3 Improvement of Controls over Maintenance of Accounting Records

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that accounting records are maintained in such a manner that allows for the timely preparation of financial statements in accordance with generally accepted accounting principles.

Condition: The following deficiencies were noted in controls over maintenance of accounting records.

1. Accounting records for Homeland Security grants included in the General Fund for reporting purposes and the Court Attendance Fund were not kept current on a monthly basis.
2. Grant revenues were posted as a reduction of expenditures in the General Fund resulting in an understatement of both revenues and expenditures.
3. Receipts and disbursements in the Inmate Work Release Fund and Inmate Commissary Fund were not timely posted.

Effect: The failure to maintain accounting records in such a manner that allows for the timely preparation of financial statements in accordance with generally accepted accounting principles could result in material misstatement of the financial statements.

Recommendation: The following recommendations are made with regards to improving controls over the maintenance of accounting records:

1. Accounting records for all funds should be posted on at least a monthly basis.
2. All grant receipts should be posted as revenues and not as reductions of expenditures in order to properly report grant revenues and expenditures in the financial statements.
3. Receipts and disbursements in the Inmate Work Release Fund and Inmate Commissary Fund should be posted as receipts and disbursements and not as additions and reductions of liability accounts in order to prepare the financial statements in accordance with generally accepted accounting principles.

Management's response and planned corrective action:

Accounting records of all funds will be posted and the month closed by the 15th of each succeeding month. All grant revenues are now posted as revenues. Receipts and disbursements are also being posted correctly.

2010-4 Inadequate Controls over Inmate Commissary Fund

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use.

Condition: The following deficiencies were noted in the internal controls for the Inmate Commissary Fund:

1. Amounts recorded as due to Morehouse Parish Sheriff, Keefe Commissary, and Morehouse Parish Police Jury as of June 30, 2010 contained significant posting errors.
2. Bank deposits for the year were approximately \$31,823 less than the amounts posted as additions in the fund during the year. The employee responsible for receiving, posting, and depositing inmates' personal funds admitted to taking cash from the funds received.
3. As of June 30, 2010, there was a \$68,373 unidentified difference between the assets on hand and the amounts due to inmates, the Morehouse Parish Sheriff, and Keefe Commissary.
4. We examined support for 12 checks written to individual inmates upon their release and noted that the supporting documentation for five of the checks was not signed by the inmate.

Effect: The failure to maintain proper internal controls over the Inmate Commissary Fund resulted in inaccurate accounting records and the misappropriation of funds.

Recommendation: The following in regard to improving controls over the Inmate Commissary Fund is recommended:

1. The amounts due Morehouse Parish Sheriff, Keefe Commissary, and Morehouse Parish Police Jury recorded in the accounting records at the end of each month should agree to the amounts actually available to be transferred to these agencies in the following month.

2. Monthly bank deposits should be reconciled to additions recorded to individual inmates' accounts on a monthly basis.
3. At the end of each month, the cash in the bank plus any amounts due from inmates should agree to the total of the amounts recorded as due to inmates, the Morehouse Parish Sheriff, Keefe Commissary, and the Morehouse Parish Police Jury.
4. Documentation supporting checks written to inmates upon their release should be signed by the inmates indicating their agreement with the amount received.

Management's response and planned corrective action:

Another employee is currently working in this position and bank deposits are reconciled to differences on a daily basis. It is not always possible to obtain a signature of the inmate being released as the individuals writing the checks do not always know the inmates. Sheriff's management is of the opinion that if an inmate questions the accuracy of their account, they will most certainly make inquiry.

2010-5 Noncompliance with Local Government Budget Act

- Criteria:** Louisiana Revised Statute 39:1310-1311 requires that the Sheriff amend the original budget when actual expenditures exceed total budgeted expenditures by 5% or more.
- Condition:** The actual expenditures and other financing uses of the General Fund of \$4,585,605 exceeded budgeted appropriations of \$4,114,000 for the year ended June 30, 2010 by \$471,605 or 11.5%.
- Effect:** The Sheriff is in violation of the Local Government Budget Act.
- Recommendation:** The Sheriff should comply with the requirements of the Local Government Budget Act.

Management's
response and
planned cor-
rective action:

We were not aware that Homeland Security Funds would have this affect on our budget. We will work to ensure that this does not happen in the future.

2010-6 Noncompliance with State Supplemental Pay Regulations

Criteria: Louisiana Revised Statute 33:2218.8 provides that in order to receive state supplemental pay, deputy sheriffs must meet certain criteria. This criteria includes the requirement that deputy sheriffs hired after March 31, 1986 be employed to perform non-clerical, enforcement duties.

Condition: It was noted on the June 2010 state supplemental pay request that five apparently clerical employees were receiving state supplemental pay.

Effect: The Sheriff appears to be in violation of the state law.

Recommendation: Only those deputies that meet the criteria in Louisiana Revised Statute 33:2218.8 be included on the state supplemental pay requests.

Management's
response and
planned cor-
rective action:

We have reviewed and provided job descriptions for each deputy sheriff in question. We have also been in contact with Louisiana Legislative Auditor and a Louisiana Sheriffs' Association state pay board representative providing each with job descriptions for questioned employees. The Sheriff's position remains that these deputies do meet the criteria of the statute.

2010-7 Noncompliance with Requirements of Bond Resolution

- Criteria:** The bond resolution for the 1997 Revenue Refunding Bonds provides that the funds maintained in the reserve account be retained solely for the purpose of paying the principal of and interest on the bonds payable. The bond resolution also provides that the funds maintained in the depreciation and contingencies account be used for extensions, additions, improvements, renewals, and replacements necessary to properly operate the detention center or to pay the principal of and interest on the bonds payable if there are insufficient funds to do so; however, the balance in the depreciation and contingencies account may never be less than \$10,000.
- Condition:** During the year ended June 30, 2010, \$85,000 of the funds maintained in the Corrections Fund's reserve account were transferred to the General Fund to pay operating expenses.
- Effect:** The Sheriff is noncompliant with the provisions of the bond resolution.
- Recommendation:** No action is recommended as it was noted that on November 19, 2010, the bond holder agreed to amend the bond resolution to remove the requirement for the reserve fund and depreciation and contingencies fund.
- Management's response and planned corrective action:** Management concurs.

Section III - Federal Award Findings

2010-8 Noncompliance with Equipment and Real Property Management Requirement

U.S. Department of Homeland Security -
Homeland Security Grant Program - CFDA Number 97.067

- Criteria:** The Sheriff must comply with the state's policies and procedures for the management of equipment purchased with federal funds. The grant agreement for the State Homeland Security Program for Fiscal Year 2008 requires that when practicable, any equipment purchased with grant funding be prominently marked as "Purchased with funds provided by the U.S. Department of Homeland Security".

Condition: A vehicle purchased with proceeds from a Homeland Security grant was not marked as required by the grant agreement.

Effect: The Sheriff is noncompliant with the provisions of the grant agreement.

Recommendation: When practicable, all equipment that is purchased with federal grants and included on the Sheriff's capital asset listing should be prominently marked as required by the grant agreement.

Management's response and planned corrective action: Our grant personnel have been made aware of this requirement.

2010-9 Noncompliance with Equipment and Real Property Management Requirement

U.S. Department of Homeland Security -
Hazard Mitigation Program - CFDA Number 97.039

Criteria: The Sheriff must comply with the state's policies and procedures for the management of equipment purchased with federal funds.

Condition: State law requires that the Sheriff maintain a listing of all equipment purchases that meet the established capitalization policy. Equipment totaling \$38,340 purchased with Hazard Mitigation grant funds that met the criteria for capitalization were not included on the capital asset listing as of June 30, 2010.

Effect: The Sheriff is noncompliant with the provisions of the federal compliance requirement.

Recommendation: All equipment that is purchased with federal grants and that meets the criteria for capitalization should be included on the Sheriff's capital asset listing as required by state law.

Management's response and planned corrective action: Our grant personnel have been made aware of this requirement.

2010-10 Improvement of Controls Over Compliance with Procurement, Suspension, and Debarment Requirement

U. S. Department of Homeland Security -
Homeland Security Grant Program - CFDA Number 97.067
Hazard Mitigation Program - CFDA Number 97.039

Criteria: The Sheriff should have internal control policies in place ensuring that purchases of goods and services in excess of \$25,000 paid with federal funds not be made from suspended or debarred parties.

Condition: The Sheriff did not perform a vendor verification check for suspended or debarred parties prior to making two purchases in excess of \$25,000 each.

Effect: Failure to have proper internal controls over compliance could result in noncompliance with provisions of a federal compliance requirement.

Recommendation: The Sheriff should establish a policy that requires a vendor verification check before individual purchases in excess of \$25,000 are made with federal funds.

Management's response and planned corrective action: Policy is being established and will be added to the policy manual soon.

MOREHOUSE PARISH SHERIFF
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2010

Section I - Financial Statement Findings

2009-1 Inadequate Controls over the
Preparation of Financial Statements

Accounting records of the Inmate Commissary Fund should be maintained in a manner that allows for the timely preparation of financial statements in accordance with generally accepted accounting principles. Management should make a determination as to whether the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefit to be derived from doing so.

Partially resolved - 2010-1.

2009-2 Inadequate Oversight of Funds Maintained
Outside of Accounting Department

Management should review the accounting records of the NLDEB funds on at least a quarterly basis to ensure that the accounting records are being properly maintained and in compliance with the agreements.

No longer applicable.

2009-3 Improvement of Controls over Expenditures/
Disbursements

All disbursements should be supported by original, detailed invoices or other adequate supporting documentation. Purchase requisitions should be properly prepared in accordance with established purchasing procedures and attached with the purchase order to the supporting invoice. Management should establish a policy restricting the use of cell phones to minimize the related expense. Invoices for purchases of fixed assets that meet the criteria for capitalization should be forwarded to the employee responsible for maintaining capital asset records.

Partially resolved - 2010-2.

2009-4 Noncompliance with State Supplemental Pay
Regulations

Only deputies that meet the criteria in Louisiana Revised Statute 33:2218.8 should be included on the state supplemental pay requests.

Unresolved - 2010-6.

2009-5 Noncompliance with Requirements of Bond
Resolution

The Sheriff should maintain the reserve account and depreciation and contingencies account in accordance with the provisions of the bond resolution.

Unresolved - 2010-7.

Section II - Management Letter

None issued.