

ANNUAL FINANCIAL REPORT
ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NEW ORLEANS, LOUISIANA
FOR THE YEAR ENDED
DECEMBER 31, 2004

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 8/3/05

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orleans Parish Criminal Sheriff's Office (the Office) as of and for the year ended December 31, 2004, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office'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 the *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orleans Parish Criminal Sheriff's Office as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, 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 June 23, 2005 on our consideration of the Office's internal control over financial reporting and 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and pages 41 through 42, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Office. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robert White & Tottenville

New Orleans, Louisiana
June 23, 2005



REQUIRED SUPPLEMENTARY INFORMATION

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2004

Within this section of the Orleans Parish Criminal Sheriff's Office (the Office) annual financial report, the Office's management is pleased to provide this narrative discussion and analysis of the financial activities of the Office for the year ended December 31, 2004. The Office's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

Net Assets - The assets of the Office exceeded its liabilities at December 31, 2004 by \$68.2 million (presented as "net assets"). Total net assets are comprised of the following:

- Capital assets, net of related debt, of \$43.7 million include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
- Restricted for intergovernmental transfers of \$13.5 million.
- Restricted for debt service of \$2.3 million.
- Restricted for capital improvements of \$2.9 million.
- Restricted for elderly victims fund of \$0.9 million.
- Unrestricted net assets of \$4.8 million.

Changes in Net Assets - The Office's net assets decreased by \$1.4 million as a result of this year's operations, or 2.0%. Total revenues of the Office decreased by \$2.8 million, or 3.4% while total expenses decreased by \$7.1 million, or 8.2%.

The Office's general fund, capital project fund, and the debt service fund reported deficits this year of \$1.5 million, \$2.5 million, and \$1.3 million, respectively, resulting in a combined governmental funds deficit of \$5.3 million.

The Office's governmental funds reported combined unreserved undesignated fund balances of \$11 million with the majority attributable to the general fund. The Office's unreserved fund balances of \$11 million represents 15.2% of the general fund expenditures.

The Office's total liabilities decreased by \$5.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all of the Office's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Office as a whole is improving or deteriorating. Evaluation of the overall health of the Office would extend to other nonfinancial factors such as trends in penal regulations in addition to the financial information provided in this report.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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The second government-wide statement is the Statement of Activities, which reports how the Office's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the reliance of the Office's distinct activities or functions on revenues resulting from services provided by the Office to other governmental agencies.

The government-wide financial statements present governmental activities of the Office that are principally supported by per diem charges to the City of New Orleans, the Louisiana Department of Corrections, and federal agencies. The sole purpose of these governmental activities is the custody of inmates.

The government-wide financial statements are presented on pages 10 & 11 of this report.

FUND FINANCIAL STATEMENTS

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

The Office uses governmental funds, proprietary funds, and fiduciary funds as follows:

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

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

The basic governmental fund financial statements are presented on pages 12 – 16 of this report.

Proprietary funds are reported in the fund financial statements and report non-major enterprise funds (commissary operations, marina operations, and a community service fund) and internal service funds (fines and fees, and a self-insurance fund).

The basic proprietary fund financial statements are presented on pages 17 – 19 of this report.

Fiduciary funds are reported in the fund financial statements and report a defined contribution employee pension plan and the individual prison inmate accounts. Activities from fiduciary funds are not included in the government-wide financial statements because the Office cannot use these assets for its operations.

The basic fiduciary fund financial statements are presented on pages 20 – 21 of this report.

Notes to the basic financial statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Office's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund and debt service fund. These schedules demonstrate compliance with the Office's adopted and final revised budget. Required supplemental information can be found on pages 40 and 41 of this report.

FINANCIAL ANALYSIS OF THE OFFICE AS A WHOLE

The Office's combined net assets declined by 2.0% from a year ago – decreasing from \$69,567,388 to \$68,153,524. In contrast, last year net assets declined by \$5,722,978, or 7.6%.

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

	Summary of Net Assets					
	Governmental Activities		Business-Type Activities		Primary Government Totals	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$ 51,894,083	\$ 58,661,598	\$ 61,959	\$ 141,903	\$ 51,956,042	\$ 58,803,501
Capital	<u>72,794,828</u>	<u>73,045,800</u>	-	-	<u>72,794,828</u>	<u>73,045,800</u>
Total	<u>124,688,911</u>	<u>131,707,398</u>	<u>61,959</u>	<u>141,903</u>	<u>124,750,870</u>	<u>131,849,301</u>
Liabilities:						
Current	9,549,658	10,160,153	-	-	9,549,658	10,160,153
Long-term	<u>47,047,688</u>	<u>52,121,760</u>	-	-	<u>47,047,688</u>	<u>52,121,760</u>
Total	<u>56,597,346</u>	<u>62,281,913</u>	-	-	<u>56,597,346</u>	<u>62,281,913</u>
Net Assets:						
Investment in capital assets, net of debt	43,719,828	40,030,800	-	-	43,719,828	40,030,800
Restricted for:						
Elderly victims	853,642	848,619	-	-	853,642	848,619
Debt service	2,343,798	3,677,167	-	-	2,343,798	3,677,167
Capital improvements	2,851,253	5,233,517	-	-	2,851,253	5,233,517
Intergovernmental transfers	13,546,907	13,681,313	-	-	13,546,907	13,681,313
Unrestricted	<u>4,776,137</u>	<u>5,954,069</u>	61,959	141,903	<u>4,838,096</u>	<u>6,095,972</u>
Total net assets	<u>\$ 68,091,565</u>	<u>\$ 69,425,485</u>	<u>\$ 61,959</u>	<u>\$ 141,903</u>	<u>\$ 68,153,524</u>	<u>\$ 69,567,388</u>

Net assets of the Office's governmental activities decreased by 1.9 percent (\$68.1 million compared to \$69.4 million). *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$5.9 million at December 31, 2003 to \$4.8 million at the end of this year.

The net assets of our business-type activities decreased by 56.3 percent (\$61,959 compared to \$141,903) in 2004. The decrease was mainly caused by the transfer of Fort McComb marina operations to the State of Louisiana. The Office generally only uses the remaining net assets to finance the continuing operations of the commissary operations.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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The Office's total revenues from governmental activities decreased by 3.2 percent (\$2,510,333) and total expenses from governmental activities decreased by 8.0 percent (\$6,847,865). Even with the major reduction in total expenses, the Office still did not cover this year's costs. The factors that led to the large prior year shortfall continued to affect the current year's results. See discussion below for more details.

The following table provides a summary of the Office's changes in net assets:

	Summary of Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Primary Government Totals	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program:						
Fees, fines and charges for services	\$ 64,300,758	\$ 66,566,795	\$ 1,718,402	\$ 1,996,561	\$ 66,019,160	\$ 68,563,356
Operating grants and contributions	2,728,234	3,613,502	-	-	2,728,234	3,613,502
Capital grants and contributions	7,100	190,138	-	-	7,100	190,138
General:						
Ad-valorem taxes	5,694,885	5,170,088	-	-	5,694,885	5,170,088
Investment income	633,919	850,593	145	4,797	634,064	855,390
Other	2,671,751	2,381,165	-	-	2,671,751	2,381,165
Gain on disposition of capital assets	332,055	-	-	-	332,055	-
Interfund transfers	535,460	642,214	-	-	535,460	642,214
Total revenues and other	76,904,162	79,414,495	1,718,547	2,001,358	78,622,709	81,415,853
Expenses:						
Program expenses:						
Custody of prisoners	75,747,162	82,291,516	-	-	75,747,162	82,291,516
Interest	1,807,263	1,990,406	-	-	1,807,263	1,990,406
Commissary	-	-	1,204,669	1,321,780	1,204,669	1,321,780
Other	-	-	56,706	88,890	56,706	88,890
General:						
Loss on disposition of capital assets	-	685,338	-	-	-	685,338
Transfers to other governmental agencies	683,657	118,687	-	-	683,657	118,687
Interfund transfers	-	-	537,116	642,214	537,116	642,214
Total expenses and other	78,238,082	85,085,947	1,798,491	2,052,884	80,036,573	87,138,831
Net expense	(1,333,920)	(5,671,452)	(79,944)	(51,526)	(1,413,864)	(5,722,978)
Beginning net assets	69,425,485	75,096,937	141,903	193,429	69,567,388	75,290,366
Ending net assets	\$ 68,091,565	\$ 69,425,485	\$ 61,959	\$ 141,903	\$ 68,153,524	\$ 69,567,388

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2004

GOVERNMENTAL ACTIVITIES

The Office is heavily reliant on housing municipal, state, and federal inmates to support its operations. Inmate housing revenues provided 83.6% of the Office's total revenues from governmental activities.

Revenues for the Office's governmental activities decreased by 3.2 percent (\$2.5 million), while total expenses decreased by 8.0 percent (\$6.8 million). This compares to a \$5.7 million decrease in net assets in 2003.

The primary function of the Office is the feeding and housing of prisoners. The only non-functional cost is interest expense related to the outstanding certificates of indebtedness and property tax bonds. Depreciation on the Office's equipment and buildings was \$2.95 million or 3.8% of the total expenses.

The Office's management took two major actions to avoid the level of deficit reported last year. The first action curtailed the inevitable decline in revenues and the other reduced expenses:

- During 2003, management was able to negotiate an increased per diem from the City of New Orleans. The result was additional revenues of \$3.6 million during 2004 over the prior per diem rate.
- The Office imposed a hiring and overtime freeze that resulted in approximately a \$5.2 million savings in wages and related benefits expenses reported in 2004 compared to 2003.

FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of year in comparison with upcoming financing requirements. Governmental funds reported an ending fund balance of \$33.5 million which is \$5.3 million below last year's total of \$38.8 million. Reserved fund balances include: \$606,988 reserved for consumable inventories, \$472,855 reserved for prepaid expenses, \$2,089,472 reserved for encumbrances, \$2,594,478 reserved of capital improvements, \$13,546,907 reserved for intergovernmental transfers, \$2,343,798 reserved for payment of long-term debt and \$853,642 reserved for elderly victims. As a result, the unreserved fund balance is \$11,017,259.

The unreserved fund balance decreased by \$388,468 from the previous year.

Major Governmental Funds

The General Fund is the Office's primary operating fund and largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$1.5 million. In fiscal year 2004, inmate housing revenues decreased by \$1.7 million and total expenditures decreased by \$6.1 million from the previous year helping to reduce the current year deficit before other financing sources and transfers to \$2.5 million from \$5.6 million in 2003.

The other major governmental funds are the Capital Projects Fund and the Debt Service Fund.

The Capital Project Fund's fund balance decreased by \$2.5 million due to the use of general obligation bond and other debt proceeds to fund capital outlays.

The Debt Service Fund's fund balance decreased by \$1.3 million as budgeted due to the continued debt service on long-term debt in excess of ad valorem tax revenues collected.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2004

BUDGETARY HIGHLIGHTS

The General Fund – When the original budget was adopted, it was anticipated that the total revenues and total expenditures were going to approximate those of the previous fiscal year. The budgeted revenues were revised downward during 2004 by \$5.2 million mainly due to the continued decline in the number of inmates housed. The final budgeted expenditures for 2004 exceeded the actual expenditures by \$4.4 million due to the impact of the hiring and overtime freeze put in place.

The Debt Service Fund – The original budget was adopted and was not required to be amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Office's investment in capital assets, net of accumulated depreciation as of December 31, 2004, was \$72.8 million. There was an overall decrease of \$250,972 in capital assets. See Note 7 for additional information about changes in capital assets during the fiscal year and the balance at the end of the year.

The following table provides a summary of capital assets activity.

CAPITAL ASSETS

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land and construction in progress	\$ 7,104,012	\$ 9,388,490
Depreciable assets:		
Building improvements	79,856,174	75,401,889
Maintenance equipment	2,577,767	2,544,945
Office furniture and equipment	6,193,544	6,113,816
Vehicles	5,316,817	5,581,020
Total depreciable assets	93,944,302	89,641,670
Less accumulated depreciation	28,253,486	25,984,360
Book value -- depreciable assets	\$ 65,690,816	\$ 63,657,310
Total assets	\$ 72,794,828	\$ 73,045,800

Long-term obligations

At the end of the fiscal year, the Office had approximately \$53.0 million in long-term obligations as shown in the table below:

OUTSTANDING LONG-TERM OBLIGATIONS

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2004</u>	<u>2003</u>	
General Obligation Bonds	\$ 32,150,000	36,790,000	(12.6)%
Certificate of Indebtedness	5,025,000	5,525,000	(9.0)%
Claims and judgments	14,470,017	14,900,000	(2.9)%
Other	1,373,985	1,455,941	(5.6)%
	<u>\$ 53,019,002</u>	<u>\$ 58,670,941</u>	<u>(9.6)%</u>

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During the year the Office retired \$5.1 million or 12.1% of the beginning outstanding debt balance. See Note 9 for additional information regarding long-term debt. The office also reduced its liability for claims and judgments by \$0.4 million or 2.9% of the beginning outstanding debt balance. See Note 11 for additional information regarding liability for claims and judgments.

ECONOMIC OUTLOOK

Revenues

The Office's inmate counts are showing signs of leveling-off at current levels. The number of inmates housed at the jail is the primary factor which impacts the gross revenue available to provide incarceration services to inmates of the City of New Orleans (City), the Louisiana Department of Corrections (DOC) and the federal government (FEDS). Fiscal year 2005 revenues are expected to be in line with the amounts previously budgeted.

The number of inmates held at the jail at any given time is affected by the number of arrests made by law enforcement authorities and the length of sentences imposed by the courts. The per diem paid to the Office to house these prisoners varies by type of inmate; whether it is a City inmate, sentenced or unsentenced, a DOC inmate or an inmate of the FEDS. The per diem rate for the City is based on a consent judgment in federal court, which cannot be modified until 2006. The per diem rate for DOC inmates is based on state statutes, and the per diem for the FEDS is based on a long-standing negotiated contract.

Accordingly, until fiscal year 2006, when the Office does plan to renegotiate an increased per diem from the City, the Office has little control over the level of the inmate population and therefore over its primary revenue streams. That is why emphasis on controlling expenditures has continued to be the primary focus to restore operations of the jail to self-sustaining levels.

Expenditures

The largest expenditure in the Office's budget is in personnel costs. Therefore the biggest efficiencies have been realized in this area. An early 2004 hiring freeze and a lay off of personnel from non-security positions, in addition to an overtime pay curtailment resulted in current year monthly cost savings. The Office also began consolidating inmates into fewer facilities to allow for more efficient use of security personnel. This consolidation has also provided for additional savings in maintenance and operating supplies. In addition, the Office has deferred capital asset acquisitions and the scheduling of routine maintenance at longer intervals.

Even with these reductions in monthly operational expenditures, the Office is still budgeted to finish the fiscal year 2005 in a deficit position. Also as budgeted, a portion of the Office's unrestricted net assets are expected to fully absorb the deficit.

CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Office's finances, comply with finance-related laws and regulations, and demonstrate the Office's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Orleans Parish Criminal Sheriff's Office, Juliet Langham, Comptroller, at 504-822-8000.

BASIC FINANCIAL STATEMENTS

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 10,557,972	\$ -	\$ 10,557,972
Investments plus accrued interest	22,564,426	-	22,564,426
Intergovernmental receivables	7,288,645	-	7,288,645
Internal balances	(2,004)	2,004	-
Interfund receivables	62,122	-	62,122
Other receivables	923,063	-	923,063
Prepaid expenses	472,855	-	472,855
Inventories	606,988	59,955	666,943
Restricted assets:			
Investments held in escrow	9,420,016	-	9,420,016
Capital assets, net of accumulated depreciation	72,794,828	-	72,794,828
Total assets	<u>124,688,911</u>	<u>61,959</u>	<u>124,750,870</u>
LIABILITIES:			
Accounts payable	2,998,240	-	2,998,240
Accrued interest	485,560	-	485,560
Deferred revenue	94,544	-	94,544
Long-term liabilities:			
Due within one year	5,971,314	-	5,971,314
Due after one year	47,047,688	-	47,047,688
Total liabilities	<u>56,597,346</u>	<u>-</u>	<u>56,597,346</u>
NET ASSETS:			
Invested in capital assets, net of related debt	43,719,828	-	43,719,828
Restricted for:			
Elderly victims	853,642	-	853,642
Debt service	2,343,798	-	2,343,798
Capital improvements	2,851,253	-	2,851,253
Intergovernmental transfers	13,546,907	-	13,546,907
Unrestricted	4,776,137	61,959	4,838,096
Total net assets	<u>\$ 68,091,565</u>	<u>\$ 61,959</u>	<u>\$ 68,153,524</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary		Business-Type Activities	Total
				Governmental Activities	Governmental Activities		
Functions/Programs							
Governmental activities:							
Custody of prisoners	\$ 75,747,162	\$ 64,300,758	\$ 2,728,234	\$ 7,100	\$ (8,711,070)	\$ -	\$ (8,711,070)
Interest on long-term debt	1,807,263	-	-	-	(1,807,263)	-	(1,807,263)
Total governmental activities	77,554,425	64,300,758	2,728,234	7,100	(10,518,333)	-	(10,518,333)
Business-type activities:							
Commissary operations	1,204,669	1,708,502	-	-	-	503,833	503,833
Other	56,706	9,900	-	-	-	(46,806)	(46,806)
Total business-type activities	1,261,375	1,718,402	-	-	-	457,027	457,027
Total Office	\$ 78,815,800	\$ 66,019,160	\$ 2,728,234	\$ 7,100	(10,518,333)	457,027	(10,061,306)
General revenues:							
Ad valorem taxes, levied for debt service				5,694,885	-	-	5,694,885
Investment income				633,919	145	-	634,064
Other income				2,671,751	-	-	2,671,751
Gain on disposition of capital assets				332,055	-	-	332,055
Transfers				535,460	(537,116)	-	(1,656)
Transfers to other governmental agencies				(683,657)	-	-	(683,657)
Total general revenues and transfers				9,184,413	(536,971)	-	8,647,442
Change in net assets				(1,333,920)	(79,944)	(141,903)	(1,413,864)
Net assets - beginning				69,425,485	141,903	69,567,388	69,567,388
Net assets - ending				\$ 68,091,565	\$ 61,959	\$ 68,153,524	\$ 68,153,524

The accompanying notes are an integral part of this statement

**ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General Fund	Capital Projects	Debt Service	Non-major Governmental	Total Governmental
ASSETS:					
Cash and cash equivalents	\$ 3,017,272	\$ 6,646,763	\$ 77,839	\$ 816,077	\$ 10,557,951
Investments plus accrued interest	3,378,014	10,271,002	2,912,020	-	16,561,036
Intergovernmental receivables	7,151,301	-	137,344	-	7,288,645
Interfund receivables	1,684,026	-	-	52,993	1,737,019
Other receivables	923,065	-	-	-	923,065
Prepaid expenses	472,855	-	-	-	472,855
Inventory	606,988	-	-	-	606,988
Total assets	\$ 17,233,521	\$ 16,917,765	\$ 3,127,203	\$ 869,070	\$ 38,147,559
LIABILITIES:					
Accounts payable	\$ 2,919,609	\$ 78,631	\$ -	\$ -	\$ 2,998,240
Interfund payables	54,997	440,974	783,405	-	1,279,376
Deferred revenue	94,544	-	-	-	94,544
Accrued annual and sick leave	250,000	-	-	-	250,000
Total liabilities	3,319,150	519,605	783,405	-	4,622,160
FUND BALANCES:					
Reserved for:					
Inventory	606,988	-	-	-	606,988
Prepaid expenses	472,855	-	-	-	472,855
Encumbrances	1,832,697	256,775	-	-	2,089,472
Capital improvements	-	2,594,478	-	-	2,594,478
Intergovernmental transfers	-	13,546,907	-	-	13,546,907
Debt service	-	-	2,343,798	-	2,343,798
Elderly victims	-	-	-	853,642	853,642
Unreserved:					
Undesignated	11,001,831	-	-	15,428	11,017,259
Total fund balance	13,914,371	16,398,160	2,343,798	869,070	33,525,399
Total liabilities and fund balances	\$ 17,233,521	\$ 16,917,765	\$ 3,127,203	\$ 869,070	\$ 38,147,559

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Total fund balances for governmental funds at December 31, 2004 \$ 33,525,399

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	5,535,025
Construction in progress	1,568,987
Buildings and improvements, net of \$16,015,570 accumulated depreciation	63,840,604
Maintenance equipment, net of \$2,303,588 accumulated depreciation	274,179
Office furniture and equipment, net of \$5,688,630 accumulated depreciation	504,914
Vehicles, net of \$4,245,698 accumulated depreciation	<u>1,071,119</u>
	72,794,828

Internal services funds are used by the Office to charge the costs of claims, judgements and legal costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are: 555,885

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

Accrued interest on bonds	(485,562)
Bonds payable	(37,175,000)
Bond premium, net of accumulated amortization	(46,760)
Bond discount, net of accumulated amortization	37,600
Accrued annual and sick leave, long-term portion	<u>(1,114,825)</u>
	<u>(38,784,547)</u>

Total net assets of governmental activities at December 31, 2004 \$ 68,091,565

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Capital Projects	Debt Service	Non-major Governmental	Total Governmental
REVENUES:					
Custody of prisoners:					
City of New Orleans charges	\$ 35,110,585	\$ -	\$ -	\$ -	\$ 35,110,585
State of Louisiana Department of Corrections charges	19,600,527	-	-	-	19,600,527
Federal charges	5,588,875	-	-	-	5,588,875
Investment income	112,650	160,089	26,918	8,454	308,111
On-behalf payments	2,923,626	-	-	-	2,923,626
Other income	2,768,475	-	-	-	2,768,475
State supplemental pay	1,865,190	-	-	-	1,865,190
Federal grants	773,420	-	-	-	773,420
Restitution/administration	334,064	-	-	-	334,064
Release processing fees	743,081	-	-	-	743,081
Ad valorem tax revenue	-	-	5,694,885	-	5,694,885
Total revenues	69,820,493	160,089	5,721,803	8,454	75,710,839
EXPENDITURES:					
Central services	4,967,071	-	-	-	4,967,071
Court services	3,102,775	-	-	-	3,102,775
Security services	23,074,199	-	-	-	23,074,199
Administrative services	2,863,333	-	-	-	2,863,333
Records and booking	5,180,150	-	-	-	5,180,150
Inmate services	20,244,903	-	-	-	20,244,903
Grants and special programs	856,249	-	-	-	856,249
Plant and maintenance	12,068,836	-	-	-	12,068,836
Miscellaneous	-	-	3,226	3,426	6,652
Debt retirement	-	-	5,140,000	-	5,140,000
Interest payments	-	-	1,911,946	-	1,911,946
Capital outlays	-	1,993,102	-	-	1,993,102
Total expenditures	72,357,516	1,993,102	7,055,172	3,426	81,409,216
Excess (deficiency) of revenues over expenditures	(2,537,023)	(1,833,013)	(1,333,369)	5,028	(5,698,377)

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Capital Projects	Debt Service	Non-major Governmental	Total Governmental
OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS:					
Proceeds from sale of assets	341,235	-	-	-	341,235
Transfers in	741,719	-	-	-	741,719
Transfers (out)	(16,284)	-	-	-	(16,284)
Transfers to other governmental agencies	-	(683,657)	-	-	(683,657)
Total other financing sources (uses), including transfers	1,066,670	(683,657)	-	-	383,013
Net changes in fund balances	(1,470,353)	(2,516,670)	(1,333,369)	5,028	(5,315,364)
FUND BALANCES, BEGINNING	15,384,724	18,914,830	3,677,167	864,042	38,840,763
FUND BALANCES, ENDING	\$ 13,914,371	\$ 16,398,160	\$ 2,343,798	\$ 869,070	\$ 33,525,399

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004

Total net changes in fund balances at December 31, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (5,315,364)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$2,709,056 was exceeded by depreciation expense of \$2,950,848.	(241,792)
Net book value of capital assets disposed during the year	(9,180)
Repayments of bond principals are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the statement of net assets, however, repayment of debt decreases long-term liabilities and does not affect the statement of activities.	
Repayments:	
Debt retirement	5,140,000
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	
Amortization of bond premium	8,470
Amortization of bond discount	(12,969)
Accrued interest on bonds	109,182
Accrued annual and sick leave	<u>(1,114,825)</u>
	(1,010,142)
Internal service funds are used by the Office to charge the costs of claims, judgements, and legal costs to individual funds, as well as to record the revenue from the Office's portion of the criminal district court fines and fees. The net revenue of internal service funds is reported with governmental activities.	<u>102,558</u>
Total changes in net assets at December 31, 2004 per Statement of Activities	<u>\$ (1,333,920)</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

ASSETS

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds Non-Major</u>	<u>Internal Service Funds</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ -	\$ 21
Interest receivable	-	41,433
Interfund receivables	2,004	-
Investments	-	5,961,957
Inventory	59,955	-
Restricted assets:		
Investments held in escrow	-	9,420,016
Total current assets	<u>61,959</u>	<u>15,423,427</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Current liabilities:

Interfund payables	-	397,525
Claims and judgements	-	850,000
Total current liabilities	<u>-</u>	<u>1,247,525</u>

Noncurrent liabilities:

Claims and judgements	-	13,620,017
Total noncurrent liabilities	<u>-</u>	<u>13,620,017</u>
Total liabilities	<u>-</u>	<u>14,867,542</u>

NET ASSETS:

Unrestricted	<u>61,959</u>	<u>555,885</u>
Total net assets	<u>\$ 61,959</u>	<u>\$ 555,885</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds Non-Major</u>	<u>Internal Service Funds</u>
<u>OPERATING REVENUES:</u>		
Sales	\$ 1,708,502	\$ -
Less: cost of goods sold	<u>(1,036,827)</u>	<u>-</u>
Gross profit	671,675	-
Rental income	9,900	-
Insurance revenues	<u>-</u>	<u>3,732,962</u>
Total operating revenues	<u>681,575</u>	<u>3,732,962</u>
<u>OPERATING EXPENSES:</u>		
Legal services, claims and judgments	-	3,732,962
Trustee fees	-	33,218
Personnel costs	208,502	-
Miscellaneous	<u>16,046</u>	<u>57</u>
Total operating expenses	<u>224,548</u>	<u>3,766,237</u>
Operating income	<u>457,027</u>	<u>(33,275)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Investment income	<u>145</u>	<u>325,808</u>
Income before transfers	<u>457,172</u>	<u>292,533</u>
<u>TRANSFERS:</u>		
Transfers in	16,284	-
Transfers out	<u>(553,400)</u>	<u>(189,975)</u>
Change in net assets	(79,944)	102,558
<u>TOTAL NET ASSETS, BEGINNING</u>	<u>141,903</u>	<u>453,327</u>
<u>TOTAL NET ASSETS, ENDING</u>	<u>\$ 61,959</u>	<u>\$ 555,885</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds Non-Major</u>	<u>Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from prisoners and customers	\$ 1,718,402	\$ 11,265
Cash received for self-insurance premiums	-	3,732,962
Cash paid to suppliers	(1,045,393)	(33,275)
Cash paid to employees	(208,502)	-
Cash paid for legal services, claims, and judgements	-	(4,162,945)
	<u>464,507</u>	<u>(451,993)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Cash received from other funds	14,395	79,268
Cash paid to other funds	(944,610)	(15,421)
	<u>(930,215)</u>	<u>63,847</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest and dividend received	145	612,605
Investment proceeds	-	31,758,024
Investments purchases	-	(31,986,695)
	<u>145</u>	<u>383,934</u>
Net change in cash and cash equivalents	(465,563)	(4,212)
Cash and cash equivalents, beginning	<u>465,563</u>	<u>4,233</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 21</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income	\$ 457,027	\$ (33,275)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) in inventory	(3,425)	-
Decrease in prepaid expenses	10,905	-
Decrease in other receivables	-	11,265
(Decrease) in claims and judgements	-	(429,983)
Total adjustments	<u>7,480</u>	<u>(418,718)</u>
Net cash provided (used) by operating activities	<u>\$ 464,507</u>	<u>\$ (451,993)</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Pension Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 30,526	\$ 327,960
Interest receivable	51,507	-
Investments	<u>5,848,068</u>	<u>-</u>
 Total assets	 <u>5,930,101</u>	 <u>327,960</u>
 LIABILITIES:		
Due to prisoners and others	-	265,838
Advance payment on contributions	472,855	-
Interfund payables	<u>-</u>	<u>62,122</u>
 Total liabilities	 <u>472,855</u>	 <u>327,960</u>
 NET ASSETS:		
Net assets held in trust for pension benefits	<u>5,457,246</u>	<u>-</u>
 Total net assets	 <u>\$ 5,457,246</u>	 <u>\$ -</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Pension Trust</u>
ADDITIONS:	
Employer contributions	\$ 6,692
Employee contributions	<u>420,274</u>
Total contributions	426,966
Investment income	<u>91,647</u>
Total investment income	<u>91,647</u>
Total additions	518,613
DEDUCTIONS:	
Trustee fees	34,644
Benefits paid to participants	<u>1,552,290</u>
Total deductions	<u>1,586,934</u>
Change in net assets	(1,068,321)
<u>NET ASSETS, BEGINNING</u>	<u>6,525,567</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 5,457,246</u>

The accompanying notes are an integral part of this statement

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

INTRODUCTION

The Orleans Parish Criminal Sheriff's Office (the Office) was created by the Louisiana Constitution of 1921, Article 7, Section 89. The Criminal Sheriff is elected by qualified electors every four years. The Criminal Sheriff is in charge of the direction and supervision of all deputy criminal sheriffs who possess all of the powers and authority granted by law to the Sheriff.

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

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

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

Basis of Presentation

The Office's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Office has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Office has chosen not to do so. The more significant accounting policies established in GAAP and used by the Office are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

Reporting Entity

The Orleans Parish Criminal Sheriff's Office is a "primary government" as defined in GASB pronouncements since the Office is a government, created by State statute, that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Reporting Entity (continued)

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying criteria set forth in generally accepted accounting principles. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Orleans Parish Law Enforcement District is included (blended) within the reporting entity.

In previous years, the Orleans Parish Criminal Sheriff's Office Credit Union was reported as a private purpose trust; however, it is a separate legal entity and is not included in the 2004 financial statements.

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

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

In the government-wide Statement of Net Assets (Exhibit A), both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Office's net assets are reported in three parts -- invested capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Office first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of each of the Office's functions and business-type activities (custody of prisoners and inmate commissary operations). The functions are also supported by general government revenues (property taxes, investment income, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (custody of prisoners) or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grant column reflects capital-specific grants.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

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

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, investment income, etc.).

The Office does not allocate indirect costs.

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

This government-wide focus is more on the sustainability of the Office and the change in the Office's net assets resulting from current year's activities.

Separate financial statements are provided for fiduciary funds, however they are excluded from the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements (FFS)

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

The following fund types are used by the Office:

Governmental Funds:

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

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

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

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Internal service funds (primarily self-insurance funds) are used by the Office to account for financing of goods or services provided by one department to other departments of the Office on a cost-reimbursement basis. Operating expenses of the internal service funds include the costs of claims and judgments, related administrative expenses, and premiums for commercial policies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Enterprise Funds

Enterprise funds are required to be used to account for activities for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based upon a pricing policy designed to recover similar costs.

Internal Service Funds

These funds are used to account for the financing of goods and services provided by an activity to other departments, funds or component units of the Office on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Office programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

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

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

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Basis of Accounting:

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

Accrual

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

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Revenues

Substantially all governmental fund revenues are accrued. Investment income in proprietary funds, which finance current operations, are reported as nonoperating revenue.

The District's debt service fund receives ad valorem/property taxes that have been levied on real property in Orleans Parish, Louisiana. The taxes are collected by the City of New Orleans and then remitted to the District. The taxes are levied by the City of New Orleans on the assessed value for all real property in Orleans Parish on January 1st of the assessment year based upon the assessed value as of the prior August 15th. Taxes are due and payable on January 1st, the date on which an enforceable lien attaches on the property, and are delinquent on February 1st.

The Office is authorized under state law to house inmates for Municipal, State, and Federal agencies. In accordance with contracts between the Office and these agencies, the Office bills the agencies a per diem amount for the housing of inmates. Other revenues of the Office consist of inmate telephone charges, grants, parking lot rent, release processing fees, restitution administration fees, and a portion of bail bond fees.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Expenditures

Expenditures are recognized when the related fund liability is incurred.

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

Other Financing Sources (Uses)

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

Deferred Revenues

Deferred revenues arise when resources are received by the Office before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the Office has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

Budgets

The Office is required by state law to adopt annual budgets for the General Fund and Debt Service Fund. Each budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

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

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

Cash and Cash Equivalents

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

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Investments

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value as determined by quoted market prices; except that short-term, highly liquid investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost.

Short-term Interfund Receivables/Payables

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

Inventories

Inventory in the General Fund consists of medical and expendable supplies and food items held for consumption and is carried at weighted average cost. The weighted average cost is recorded as an expenditure at the time of consumption. The inventory in the Proprietary Funds consists of consumable food products and other items purchased for resale to inmates and is recorded at cost (first-in, first-out).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items in both government-wide and fund financial statements.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Capital Assets

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

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

Description	Estimated Lives
Buildings and improvements	40 years
Maintenance equipment	7 years
Office furniture and equipment	5 years
Vehicles	5 years

Accrued Annual and Sick Leave

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

Annual leave is accumulated until the employee retires, resigns, or is terminated. Upon retirement, resignation, or termination, the employee is paid for all accumulated unused annual leave.

Sick leave is accumulated until the employee retires, resigns, or is terminated. Upon retirement, resignation, or termination, the employee is paid a ratio of 1 hour of pay for 5 hours accumulated sick leave only if the employee has accumulated over 500 hours. An employee who has less than 500 hours of sick leave does not receive any pay for the time accumulated.

During 2004, the Office changed certain assumptions related to who was entitled to payment and the estimated periods when these accrued liability amounts would be paid. The effect of these changes resulted in an approximate \$1,115,000 reduction in current accrued annual sick leave and a related decrease in expenditures on the accompanying general fund financial statements. There was no impact on the government-wide financial statements.

Long-Term Debt and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

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

Restricted Net Assets

For government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
2. Imposed by law through constitutional provisions or enabling legislation.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change.

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. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

Estimates

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

(2) CASH AND CASH EQUIVALENTS

At December 31, 2004, the Office has cash and cash equivalents (book balances) as follows:

Demand deposits	\$ 369,659
Interest-bearing demand deposits	10,525,799
Other	<u>21,000</u>
Total	<u>\$ 10,916,458</u>

Reconciliation to Government-Wide Statement of Net Assets:

Per Government-Wide Statement of Net Assets	\$ 10,557,972
Fiduciary Funds (not included in Government-Wide Financial Statements):	
Pension Trust	30,526
Agency Funds	<u>327,960</u>
Total	<u>\$ 10,916,458</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(2) CASH AND CASH EQUIVALENTS (CONTINUED)

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2004, the carrying amount of the Office's deposits was \$10,916,458 and the bank balance was \$13,012,741. Of the bank balances, \$12,991,751 required deposit insurance or collateralization, of which \$229,368 was covered by federal depository insurance and \$12,762,373 was covered by pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Office that the fiscal agent has failed to pay deposited funds upon demand.

(3) INVESTMENTS

Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the Office or its agent in the Office's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Office's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the Office's name

At fiscal year-end, the Office's investment balances were as follows:

<u>Type of Investment</u>	<u>Category</u>			<u>Total Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Treasury Obligation	\$ 11,584,924	\$ -	\$ -	\$ 11,584,924	\$ 11,586,473
Federal Agency Obligations	24,861,793	-	-	24,861,793	24,868,298
Other pass through issues	255,588	-	-	255,588	255,588
Money Market Funds	974,451	-	-	974,451	974,451
Total	\$ 37,676,756	\$ -	\$ -		
Investments not subject to categorization:					
Interest receivable				207,261	207,261
Total investments				\$ 37,884,017	\$ 37,892,071

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(3) INVESTMENTS (CONTINUED)

Reconciliation to Government-Wide Statement of Net Assets:	
Investments plus accrued interest	\$ 22,564,426
Investments held in escrow	<u>9,420,016</u>
Per Government-Wide Statement of Net Assets	31,984,442
Fiduciary Funds (not included in Government-Wide Financial Statements):	
Pension Trust	<u>5,899,575</u>
	<u>\$ 37,884,017</u>

(4) INTERGOVERNMENTAL RECEIVABLES

The Office is authorized under state law to house inmates for Municipal, State, and Federal agencies. In accordance with contracts between the Office and these agencies, the Office bills the agencies a per diem amount for the housing of inmates.

Receivables due from these agencies, for the housing of inmates, at December 31, 2004 are as follows:

Custody of prisoners:	
City of New Orleans	\$ 4,662,571
State of Louisiana	1,692,943
Federal Agencies	<u>646,785</u>
	<u>7,002,299</u>
Additional Items:	
Grants	149,002
Ad Valorem Taxes:	
Receivable	476,539
Allowance for uncollectible amounts	<u>(339,195)</u>
	<u>137,344</u>
	<u>\$ 7,288,645</u>

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

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances at December 31, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 783,405
	Capital Projects Fund	440,974
	Internal Service Funds	397,525
	Agency Funds	62,122
Nonmajor Governmental Funds	General Fund	52,993
Nonmajor Enterprise Funds	General Fund	<u>2,004</u>
		<u>\$ 1,739,023</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

All of the remaining balances result from the time lag between the dates that reimbursable expenditures occur, interfund goods and services are provided, and payments between funds are made. Periodically, the commissary and fines and fee fund transfer their operating profits to the general fund.

A summary of interfund transfers at December 31, 2004 is as follows:

	Transfers In:			
	General Fund	Nonmajor Enterprise Funds	Agency Funds	Total
Transfers Out:				
General Fund	\$ -	\$ 16,284	\$ -	\$ 16,284
Nonmajor Enterprise Funds	553,400	-	-	553,400
Internal Service Funds	188,319	-	1,656	189,975
	<u>\$ 741,719</u>	<u>\$ 16,284</u>	<u>\$ 1,656</u>	<u>\$ 759,659</u>

(6) PREPAID EXPENSES

Payment made prior to December 31, 2004 that will benefit periods beyond December 31, 2004 are recorded as prepaid expenses. Prepaid expenses at December 31, 2004 consist of the following:

Prepaid pension expense	\$ <u>472,855</u>
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(7) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2004 is as follows:

	December 31, 2003	Additions	Disposals	Reclassifications	December 31, 2004
Capital assets not being depreciated:					
Land	\$ 5,535,025	\$ -	\$ -	\$ -	\$ 5,535,025
Construction in progress	3,853,465	1,916,702	-	(4,201,180)	1,568,987
Total non-depreciable assets	<u>\$ 9,388,490</u>	<u>\$ 1,916,702</u>	<u>\$ -</u>	<u>\$ (4,201,180)</u>	<u>\$ 7,104,012</u>
Capital assets being depreciated:					
Buildings and improvements	75,401,889	253,105	-	4,201,180	79,856,174
Maintenance equipment	2,544,945	39,322	(6,500)	-	2,577,767
Office furniture and equipment	6,113,816	79,728	-	-	6,193,544
Vehicles	5,581,020	420,199	(684,402)	-	5,316,817
Total depreciable assets	<u>89,641,670</u>	<u>792,354</u>	<u>(690,902)</u>	<u>4,201,180</u>	<u>93,944,302</u>
Totals	<u>\$ 99,030,160</u>	<u>\$ 2,709,056</u>	<u>\$ (690,902)</u>	<u>\$ -</u>	<u>\$ 101,048,314</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(7) CAPITAL ASSETS (CONTINUED)

	December 31, 2003	Additions	Disposals	Reclassifications	December 31, 2004
Capital assets and depreciation activity as of and for the year ended December 31, 2004 is as follows:					
Less accumulated depreciation:					
Buildings and improvements	14,124,781	1,890,789	-	-	16,015,570
Maintenance equipment	2,181,251	128,837	(6,500)	-	2,303,588
Office furniture and equipment	5,169,418	519,212	-	-	5,688,630
Vehicles	4,508,910	412,010	(675,222)	-	4,245,698
Total accum. depreciation	25,984,360	2,950,848	(681,722)	-	28,253,486
Capital assets, net	<u>\$ 73,045,800</u>	<u>\$ (241,792)</u>	<u>\$ (9,180)</u>	<u>\$ -</u>	<u>\$ 72,794,828</u>

Depreciation expense in the amount of \$2,950,848 was charged to custody of prisoners.

(8) PENSION PLANS

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

(a) Defined Contribution Pension Plan

In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Part-time employees are required to participate in the Orleans Parish Criminal Sheriff's Employees Retirement Plan (Plan) at their date of employment. The Plan requires that both the employees and the Office contribute to the plan.

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

Forfeitures of unvested portions are available to the Office to reduce future contributions.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(8) PENSION PLANS (CONTINUED)

(a) Defined Contribution Pension Plan (continued)

The Office's total payroll for the year ended December 31, 2004 was \$33,612,615. The Office's contributions were calculated using the base salary amounts of \$4,592,567. The Office made contributions in the amounts of \$325,274. Forfeitures of \$318,582 in 2004 were credited to the benefit of the employer resulting in a net employer contribution of \$6,692 for the year ended December 31, 2004. The employees contributed to the Plan through payroll withholdings a total of \$420,274 for the year ended December 31, 2004, which represents both the required and additional voluntary contributions.

(b) Defined Benefit Pension Plan

Effective July 1, 1997, the Office contributes to the Louisiana Sheriff's Pension & Relief Fund (the "System"), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of sheriffs and their staffs, which is administered and controlled by a separate board of trustees. The System was established and provided for within LSA-RS 11:2171 of the Louisiana Revised Statutes.

Contributions of participating sheriffs, together with shared local and state revenues, are pooled within the System to fund accrued benefits. Both employer and employee contribution rates are approved by the Louisiana Legislature. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Sheriff's Pension & Relief Fund, P.O. Box 3163, Monroe, Louisiana 71210-3163 or by calling (318) 362-3191.

In addition to ad valorem and insurance premium taxes that are remitted to the System (which constitute the major funding of the System), plan members are currently required by state statute to contribute 10% (9.8% prior to October 1, 2004) of gross salary. The Sheriff is required to contribute at an actuarially determined rate. The employer's rate through June 30, 2004 was 9.25% of annual covered payroll. The current employer's rate is 9.75% of annual covered payroll.

The contributions for the year ended December 31, 2004 were as follows:

	<u>Amount</u>	<u>Percent of Covered Payroll</u>
Employee	\$ 2,817,882	9.83%
Employer	\$ 2,729,432	9.52%

The Office's contributions to the System for the years ending December 31, 2003, 2002, and 2001 were \$2,414,785, \$1,879,118 and \$1,420,000, respectively, equal to the required contribution for each year.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(8) PENSION PLANS (CONTINUED)

(c) Deferred Compensation Plan

Effective September 1, 2001, the Office adopted a deferred compensation plan administered by the Louisiana Deferred Compensation Commission. The Louisiana Public Employees Deferred Compensation Plan (the "Plan") was established pursuant to IRC Section 457 and Louisiana R.S. 43:1301-1308. The Plan allows employees to contribute up to the lesser of \$6,500 (\$8,000 for those eligible for catch-up) or 100% of their salary. The Office matches contributions up to \$6,500 (\$8,000 for those eligible for catch-up) or 9.8% of each participant's salary. Employees contributed through payroll withholdings a total of \$516,141 and the Office made matching contributions of \$510,668 for the year ended December 31, 2004.

(9) LONG-TERM DEBT OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended December 31, 2004:

	<u>Balance at</u> <u>December 31,</u> <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31,</u> <u>2004</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>Bonds and notes payable:</u>					
General Obligation Refunding Bonds (Series 1997): \$25,255,000 originally issued with interest rates ranging from 3.85% to 4.95%, maturing May 1, 1998 through May 1, 2010, secured by collections of ad valorem taxes.	\$ 18,190,000	\$ -	\$ 2,240,000	\$ 15,950,000	\$ 2,350,000
General Obligation Bonds (Series 2001): \$27,000,000 originally issued with interest rates ranging from 3.75% to 5.00%, maturing March 1, 2002 through March 1, 2016, secured by collections of ad valorem taxes.	18,600,000	-	2,400,000	16,200,000	2,000,000
Certificates of Indebtedness, (Series 2002): \$6,000,000 originally issued with an interest rate of 5%, maturing January 1, 2004 through January 1, 2012 secured by a pledge and dedication of the excess of annual revenues of the Office.	5,525,000	-	500,000	5,025,000	525,000
	42,315,000	-	5,140,000	37,175,000	4,875,000
<u>Other liabilities:</u>					
Claims and judgments	14,900,000	3,732,962	4,162,945	14,470,017	850,000
Accrued annual and sick leave	1,451,280	246,356	332,811	1,364,825	250,000
Bond premium, net of accumulated amortization	55,230	-	8,470	46,760	7,561
Bond discount	(50,569)	-	(12,969)	(37,600)	(11,247)
	<u>\$ 58,670,941</u>	<u>\$ 3,979,318</u>	<u>\$ 9,631,257</u>	<u>\$ 53,019,002</u>	<u>\$ 5,971,314</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(9) LONG-TERM DEBT OBLIGATIONS (CONTINUED)

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 4,875,000	\$ 1,559,479	\$ 6,434,479
2006	4,365,000	1,368,443	5,733,443
2007	4,500,000	1,172,463	5,672,463
2008	4,665,000	964,353	5,629,353
2009	4,830,000	742,220	5,572,220
2010-2014	11,810,000	1,418,139	13,228,139
2015-2016	<u>2,130,000</u>	<u>67,750</u>	<u>2,197,750</u>
	<u>\$ 37,175,000</u>	<u>\$ 7,292,847</u>	<u>\$ 44,467,847</u>

Interest expense on long-term debt for the year ended December 31, 2004 was \$1,807,263.

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

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

	<u>Original Balance</u>	<u>Transferred to other Agencies</u>	<u>Estimated Interest Earned</u>	<u>Remaining Balance at December 31, 2004</u>
Orleans Parish District Attorney	\$ 2,500,000	\$ 204,306	\$ 157,269	\$ 2,452,963
Orleans Parish Criminal District Courts	8,500,000	99,497	534,714	8,935,217
Orleans Parish Clerk of Criminal District Courts	800,000	9,747	50,326	840,579
Orleans Parish Juvenile Court	1,000,000	184	62,908	1,062,724
Orleans Parish Municipal and Traffic Court	<u>700,000</u>	<u>488,610</u>	<u>44,034</u>	<u>255,424</u>
Restricted for intergovernmental transfers	<u>\$ 13,500,000</u>	<u>\$ 802,344</u>	<u>\$ 849,251</u>	<u>\$ 13,546,907</u>

(10) COMMITMENTS

The Office has active construction projects as of December 31, 2004. At year end the commitments with contractors are as follows:

<u>Project</u>	<u>Expended to Date</u>	<u>Remaining Balance</u>
CCC Sprinkler	\$ 1,316,714	\$ 4,497
CCC Emergency Vent Project	<u>252,273</u>	<u>252,278</u>
	<u>\$ 1,568,987</u>	<u>\$ 256,775</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(11) RISK MANAGEMENT

The Orleans Parish Criminal Sheriff's Office manages its risks internally and sets aside assets for claim settlements in its internal service fund, the Self Insurance Fund. The fund services claims for various risks of loss to which the Office is exposed, including general liability, property and casualty, and environmental. The Office has limited commercial insurance on heavy equipment and buses only. The City of New Orleans provides workmen's compensation coverage.

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

The Orleans Parish Criminal Sheriff's Office is a defendant in various lawsuits pertaining to material matters. As of December 31, 2004, on the advice of legal counsel, \$14,470,017 has been accrued in the Self Insurance Fund to fund outstanding claims. Changes in the balances of claims liabilities during the last two years were as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End</u>
2003	\$ 14,000,000	\$ 6,010,635	\$ 5,110,635	\$ 14,900,000
2004	\$ 14,900,000	\$ 3,732,962	\$ 4,162,945	\$ 14,470,017

At December 31, 2004, the Self Insurance Fund held \$15,423,427 in assets designated for payment of these claims.

Amounts Held in Escrow

Pursuant to a preliminary settlement agreement, the Office transferred \$9,375,000 of its Self-Insurance Fund to an escrow fund, as a settlement and compromise on the class action lawsuit, Greta Cazenave, et al. v. Charles C. Foti, Jr., et al, now pending in the U.S. District Court. Interest accumulates on the fund and the balance at December 31, 2004 is \$9,420,016. The funds are being held until a court approved settlement or other settlement is reached. Pursuant to a future Court order, these funds will be disbursed to all qualifying plaintiffs with any undistributed funds returned to the Office, if any. These funds are included in the accompanying financial statements as a restricted asset, "Investments held in escrow". The liability for this preceding is included in the \$14,470,017 liability for claims and judgments.

(12) ON-BEHALF PAYMENTS

The accompanying basic financial statements do not include certain portions of the Office's expenses paid directly by the City of New Orleans. These expenses include building space, utilities, office supplies, workers compensation, gasoline and certain major repairs among others.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(12) ON-BEHALF PAYMENTS (CONTINUED)

Hospitalization premiums paid by the City of New Orleans on behalf of the Office totaled \$2,923,626 and are included in the accompanying financial statements as revenues and expenditures in the General Fund. The recorded hospitalization includes the post employment benefit of health insurance to retirees who either have thirty years of service; are a member of the Louisiana Sheriff's Pension & Relief Fund and retire with 20 years of service at 50 years of age or older; or a member of the Orleans Parish Criminal Sheriff's Employees Retirement Plan with eight years of service and 55 years of age or older.

(13) COMPENSATION OF SHERIFF

In accordance with Louisiana Revised Statute 33:1421, the Sheriff of Orleans Parish was paid the following compensation for preserving the peace, arresting public offenders and keeping of the jail. He is also the executive officer of the District.

Salary	\$	120,995
Expense allowance	\$	12,100

(14) ECONOMIC DEPENDENCY

The Office derives a material part of its revenues from per diem charges for the housing of federal, state, and municipal prisoners. These revenues are received from the City of New Orleans, the State of Louisiana Department of Corrections and various Federal agencies. For the year ended December 31, 2004, revenues from these sources totaled \$60,299,988.

(15) CONTINGENCIES

Per Diem Audits

The Office has undergone two separate audits by the Department of Justice, Office of Inspector General (OIG) and the U.S. Marshall's Office (USMO) to determine the per diem charge for federal inmates charged to federal agencies (U.S. Marshall's Office, Office of Immigration, etc.). As a result of the 2000/2001 audit, OIG claims that the federal agencies were over-billed and are due a refund from the Office of approximately \$4 million for those years. The 2003 per diem rate audit by the USMO supported a lower rate than the present rate. The Office's legal counsel and management has taken the position that the per diem agreement in place contains a negotiated rate not subject to average inmate costs per day verification and that the refunds claimed are not valid. In addition, management has disputed the methodology used in the calculation of the recommended rates. The Office is presently negotiating a settlement and a new fixed price rate with the USMO.

Litigation

The Office is a defendant in various lawsuits including accidents, deaths, jail conditions, and civil rights. As discussed in note 11 the Office is self-insured with respect to claims. The Office and its attorneys have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome and to provide an estimate of its exposure to potential loss. This estimate could change in the near term due to the litigation environment.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004

(15) CONTINGENCIES (CONTINUED)

Intergovernmental Assistance

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

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

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Custody of prisoners:				
City of New Orleans charges	\$ 32,148,975	\$ 33,956,696	\$ 35,110,585	\$ 1,153,889
State of Louisiana Department of Corrections charges	24,793,718	19,015,616	19,600,527	584,911
Federal charges	8,284,000	6,360,466	5,588,875	(771,591)
Investment income	430,000	315,667	112,650	(203,017)
On-behalf payments	3,800,000	3,800,000	2,923,626	(876,374)
Other income	2,603,233	3,013,641	2,768,475	(245,166)
State supplemental pay	1,567,704	1,840,614	1,865,190	24,576
Federal grants	1,130,056	1,134,116	773,420	(360,696)
Restitution/administration	167,578	181,360	334,064	152,704
Release processing fees	636,763	754,221	743,081	(11,140)
	<u>75,562,027</u>	<u>70,372,397</u>	<u>69,820,493</u>	<u>(551,904)</u>
<u>EXPENDITURES:</u>				
Central services	5,233,221	5,529,132	4,967,071	(562,061)
Court services	3,150,862	3,097,461	3,102,775	5,314
Security services	24,704,346	24,260,381	23,074,199	(1,186,182)
Administrative services	2,541,886	2,648,692	2,863,333	214,641
Records and booking	4,874,497	5,540,632	5,180,150	(360,482)
Inmate services	22,724,562	21,279,344	20,244,903	(1,034,441)
Grants and special programs	1,296,295	923,540	856,249	(67,291)
Plant and maintenance	11,768,358	13,483,287	12,068,836	(1,414,451)
	<u>76,294,027</u>	<u>76,762,469</u>	<u>72,357,516</u>	<u>(4,404,953)</u>
Excess (deficiency) of revenues over expenditures	<u>(732,000)</u>	<u>(6,390,072)</u>	<u>(2,537,023)</u>	<u>3,853,049</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	732,000	676,062	741,719	65,657
Transfers out	-	-	(16,284)	(16,284)
Proceeds from sale of assets	-	-	341,235	341,235
	<u>732,000</u>	<u>676,062</u>	<u>1,066,670</u>	<u>390,608</u>
Net change in fund balance	-	(5,714,010)	(1,470,353)	4,243,657
<u>FUND BALANCES, BEGINNING</u>	<u>15,384,724</u>	<u>15,384,724</u>	<u>15,384,724</u>	<u>-</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 15,384,724</u>	<u>\$ 9,670,714</u>	<u>\$ 13,914,371</u>	<u>\$ 4,243,657</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment income	\$ 50,000	\$ 50,000	\$ 26,918	\$ (23,082)
Ad valorem tax revenue	5,013,769	5,013,769	5,694,885	681,116
Total revenues	<u>5,063,769</u>	<u>5,063,769</u>	<u>5,721,803</u>	<u>658,034</u>
<u>EXPENDITURES:</u>				
Debt retirement	5,140,000	5,140,000	5,140,000	-
Interest payments	1,822,340	1,822,340	1,911,946	89,606
Miscellaneous	-	-	3,226	3,226
Total expenditures	<u>6,962,340</u>	<u>6,962,340</u>	<u>7,055,172</u>	<u>92,832</u>
Excess (deficiency) of revenues over expenditures	(1,898,571)	(1,898,571)	(1,333,369)	565,202
<u>FUND BALANCES, BEGINNING</u>	<u>3,677,167</u>	<u>3,677,167</u>	<u>3,677,167</u>	<u>-</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 1,778,596</u>	<u>\$ 1,778,596</u>	<u>\$ 2,343,798</u>	<u>\$ 565,202</u>

OTHER SUPPLEMENTARY INFORMATION

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2004

	<u>Scholarship Fund</u>	<u>Elderly Victim Fund</u>	<u>Benevolent Fund</u>	<u>Total</u>
ASSETS:				
Cash and cash equivalents	\$ -	\$ 816,077	\$ -	\$ 816,077
Interfund receivables	13,457	37,565	1,971	52,993
Total assets	\$ 13,457	\$ 853,642	\$ 1,971	\$ 869,070
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
FUND BALANCES:				
Reserved for:				
Reserved for elderly victims	-	853,642	-	853,642
Unreserved	13,457	-	1,971	15,428
Total fund balances	13,457	853,642	1,971	869,070
Total liabilities and fund balances	\$ 13,457	\$ 853,642	\$ 1,971	\$ 869,070

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Scholarship Fund	Elderly Victim Fund	Benevolent Fund	Total
REVENUES:				
Investment income	\$ 4	\$ 8,449	\$ 1	\$ 8,454
Total revenues	4	8,449	1	8,454
EXPENDITURES:				
Miscellaneous	-	3,426	-	3,426
Total expenditures	-	3,426	-	3,426
Excess of revenues over expenditures	4	5,023	1	5,028
FUND BALANCES, BEGINNING	13,453	848,619	1,970	864,042
FUND BALANCES, ENDING	\$ 13,457	\$ 853,642	\$ 1,971	\$ 869,070

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2004

	ASSETS			Total Non-Major Enterprise Funds
	<u>Commissary</u>	<u>Ft. McComb Marina</u>	<u>Community Service Funds</u>	
<u>CURRENT ASSETS:</u>				
Interfund receivable	\$ -	\$ -	\$ 2,004	\$ 2,004
Inventory	59,955	-	-	59,955
	<u>59,955</u>	<u>-</u>	<u>2,004</u>	<u>61,959</u>
Total current assets				
	<u>59,955</u>	<u>-</u>	<u>2,004</u>	<u>61,959</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Interfund payables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS:</u>				
Unrestricted	59,955	-	2,004	61,959
	<u>59,955</u>	<u>-</u>	<u>2,004</u>	<u>61,959</u>
Total net assets	<u>\$ 59,955</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 61,959</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Commissary</u>	<u>Ft. McComb Marina</u>	<u>Community Service Funds</u>	<u>Total Non-Major Enterprise Funds</u>
<u>OPERATING REVENUES:</u>				
Sales	\$ 1,708,502	\$ -	\$ -	\$ 1,708,502
Less: cost of goods sold	<u>(1,020,542)</u>	<u>-</u>	<u>(16,285)</u>	<u>(1,036,827)</u>
Gross profit (loss)	687,960	-	(16,285)	671,675
Rental income	<u>-</u>	<u>9,900</u>	<u>-</u>	<u>9,900</u>
Total operating revenues	<u>687,960</u>	<u>9,900</u>	<u>(16,285)</u>	<u>681,575</u>
<u>OPERATING EXPENSES:</u>				
Personnel costs	184,128	24,374	-	208,502
Miscellaneous	<u>-</u>	<u>16,046</u>	<u>-</u>	<u>16,046</u>
Total operating expenses	<u>184,128</u>	<u>40,420</u>	<u>-</u>	<u>224,548</u>
Operating income (loss)	<u>503,832</u>	<u>(30,520)</u>	<u>(16,285)</u>	<u>457,027</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Investment income	<u>-</u>	<u>144</u>	<u>1</u>	<u>145</u>
Income (loss) before transfers	<u>503,832</u>	<u>(30,376)</u>	<u>(16,284)</u>	<u>457,172</u>
<u>TRANSFERS:</u>				
Transfers in	-	-	16,284	16,284
Transfers out	<u>(500,407)</u>	<u>(52,878)</u>	<u>(115)</u>	<u>(553,400)</u>
Change in net assets	3,425	(83,254)	(115)	(79,944)
<u>NET ASSETS, BEGINNING</u>	<u>56,530</u>	<u>83,254</u>	<u>2,119</u>	<u>141,903</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 59,955</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 61,959</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Commissary	Ft. McComb Marina	Community Service Fund	Total Non-Major Enterprises Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from prisoners and customers	\$ 1,708,502	\$ 9,900	\$ -	\$ 1,718,402
Cash paid to suppliers	(1,023,967)	(5,141)	(16,285)	(1,045,393)
Cash paid to employees	(184,128)	(24,374)	-	(208,502)
Net cash flows provided (used) by operating activities	<u>500,407</u>	<u>(19,615)</u>	<u>(16,285)</u>	<u>464,507</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	-	-	14,395	14,395
Cash paid to other funds	(500,407)	(444,088)	(115)	(944,610)
Net cash flows provided (used) by noncapital financing activities	<u>(500,407)</u>	<u>(444,088)</u>	<u>14,280</u>	<u>(930,215)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividend received	-	144	1	145
Net cash flows provided by investing activities	<u>-</u>	<u>144</u>	<u>1</u>	<u>145</u>
Net change in cash and cash equivalents	-	(463,559)	(2,004)	(465,563)
Cash and cash equivalents, beginning	-	463,559	2,004	465,563
Cash and cash equivalents, ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 503,832	\$ (30,520)	\$ (16,285)	\$ 457,027
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
(Increase) in inventory	(3,425)	-	-	(3,425)
Decrease in prepaid expenses	-	10,905	-	10,905
Total adjustments	<u>(3,425)</u>	<u>10,905</u>	<u>-</u>	<u>7,480</u>
Net cash provided (used) by operating activities	<u>\$ 500,407</u>	<u>\$ (19,615)</u>	<u>\$ (16,285)</u>	<u>\$ 464,507</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2004

ASSETS

	<u>Fines and Fees</u>	<u>Self-Insurance Fund</u>	<u>Total Internal Service Funds</u>
<u>CURRENT ASSETS:</u>			
Cash and cash equivalents	\$ -	\$ 21	\$ 21
Interest receivable	-	41,433	41,433
Investments	-	5,961,957	5,961,957
Restricted assets:			
Investments held in escrow	-	9,420,016	9,420,016
 Total current assets	 -	 15,423,427	 15,423,427

LIABILITIES AND NET ASSETS

LIABILITIES:

Current liabilities:

Interfund payables	-	397,525	397,525
Claims and judgements	-	850,000	850,000
 Total current liabilities	 -	 1,247,525	 1,247,525

Noncurrent liabilities:

Claims and judgement - noncurrent	-	13,620,017	13,620,017
 Total noncurrent liabilities	 -	 13,620,017	 13,620,017
 Total liabilities	 -	 14,867,542	 14,867,542

NET ASSETS:

Unrestricted	-	555,885	555,885
 Total net assets	 \$ -	 \$ 555,885	 \$ 555,885

See Auditors' Report

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Fines and Fees</u>	<u>Self-Insurance Fund</u>	<u>Total Internal Service Funds</u>
<u>OPERATING REVENUES:</u>			
Insurance revenues	\$ -	\$ 3,732,962	\$ 3,732,962
Total operating revenues	<u>-</u>	<u>3,732,962</u>	<u>3,732,962</u>
<u>OPERATING EXPENSES:</u>			
Legal services, claims and judgments	-	3,732,962	3,732,962
Trustee fees	-	33,218	33,218
Miscellaneous	<u>57</u>	<u>-</u>	<u>57</u>
Total operating expenses	<u>57</u>	<u>3,766,180</u>	<u>3,766,237</u>
Operating income	(57)	(33,218)	(33,275)
<u>NON-OPERATING REVENUES AND EXPENSES:</u>			
Investment income	<u>-</u>	<u>325,808</u>	<u>325,808</u>
Income (loss) before transfers	(57)	292,590	292,533
<u>TRANSFERS:</u>			
Operating transfers out	<u>(189,975)</u>	<u>-</u>	<u>(189,975)</u>
Change in net assets	(190,032)	292,590	102,558
<u>NET ASSETS, BEGINNING</u>	<u>190,032</u>	<u>263,295</u>	<u>453,327</u>
<u>NET ASSETS, ENDING</u>	<u>\$ -</u>	<u>\$ 555,885</u>	<u>\$ 555,885</u>

**ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fines and Fees	Self-Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 11,265	\$ -	\$ 11,265
Cash received for self-insurance premiums	-	3,732,962	3,732,962
Cash paid to suppliers	(57)	(33,218)	(33,275)
Cash paid for legal services, claims, and judgements	-	(4,162,945)	(4,162,945)
	11,208	(463,201)	(451,993)
Net cash flows provided (used) by operating activities			(451,993)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	79,268	79,268
Cash paid to other funds	(15,421)	-	(15,421)
	(15,421)	79,268	63,847
Net cash flows (used) by noncapital financing activities			63,847
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividend received	-	612,605	612,605
Investments proceeds	-	31,758,024	31,758,024
Investments purchases	-	(31,986,695)	(31,986,695)
	-	383,934	383,934
Net cash flows provided by capital and related financing activities			383,934
Net change in cash and cash equivalents	(4,213)	1	(4,212)
Cash and cash equivalents, beginning	4,213	20	4,233
Cash and cash equivalents, ending	-	21	21
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (57)	\$ (33,218)	\$ (33,275)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease in other receivables	11,265	-	11,265
Increase in claims and judgement provision	-	(429,983)	(429,983)
Total adjustments	11,265	(429,983)	(418,718)
Net cash provided (used) by operating activities	\$ 11,208	\$ (463,201)	\$ (451,993)

See Auditors' Report

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2004

	<u>Fines</u>	<u>Criminal Justice</u>	<u>Property Room</u>	<u>Cash Bonds and Fines</u>	<u>Total Agency</u>
<u>ASSETS:</u>					
Cash	\$ 1,656	\$ 100	\$ 276,248	\$ 49,956	\$ 327,960
Total assets	<u>1,656</u>	<u>100</u>	<u>276,248</u>	<u>49,956</u>	<u>327,960</u>
<u>LIABILITIES:</u>					
Due to others	1,656	-	263,728	454	265,838
Interfund payable	<u>-</u>	<u>100</u>	<u>12,520</u>	<u>49,502</u>	<u>62,122</u>
Total liabilities	<u>1,656</u>	<u>100</u>	<u>276,248</u>	<u>49,956</u>	<u>327,960</u>
<u>NET ASSETS</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Funding Agencies/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Justice</u>			
<u>Direct Awards:</u>			
Office of Justice Programs, Bureau of Justice Assistance Local Law Enforcement Block Grants Program Local Law Block Grants Program	16.592	2003-LB-BX-2614	\$ 221,816 (M)
Office of Justice Programs, Bureau of Justice Assistance State Criminal Alien Assistance Program (SCAAP)	16.606	2004F1673LAAP	4,965
<u>Pass-Through Awards:</u>			
Office of Justice Programs, Bureau of Justice Assistance Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice Byrne Formula Grant Program			
Criminal Records Improvement (JMAS-initiated)	16.579	B03-9-003	99,716
Criminal Records Improvement (JMAS-continuation)	16.579	B04-9-001	22,908
Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice Juvenile Accountability Incentive Block Grants (JAIBG) Accountability Based Youth Program	16.523	A02-8-033	<u>69,450</u>
Total U.S. Department of Justice			<u>418,855</u>
<u>U.S. Department of Agriculture</u>			
<u>Pass-Through Awards:</u>			
Food and Nutrition Service Passed through Louisiana Department of Education National School Lunch Program	10.555	-	102,152 (M)
School Breakfast Program	10.553	-	<u>66,190 (M)</u>
Total U.S. Department of Agriculture Pass-Through Awards			168,342
<u>Non-Cash Awards:</u>			
Food and Nutrition Service Passed through Louisiana Department of Education Food Donation Program	10.550	-	<u>10,873</u>
Total U.S. Department of Agriculture			<u>179,215</u>

See Auditors' Report

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004

Funding Agencies/ Program Title	Federal CFDA Number	Grant Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Pass-Through Awards:</u>			
Passed through LSU/LSU Health Sciences Center Administration for Children and Families Temporary Assistance for Needy Families Personal Responsibility and Work Opportunity Reconciliation Act of 1996	93.558	-	28,827
State of Louisiana, Department of Health and Hospitals Office of Public Health			
HIV Prevention Activities - Health Department Based	93.940	200-2003-02367	148,028 (M)
Ryan White Title I Program	93.914	-	<u>9,369</u>
Total U.S. Department of Health and Human Services			<u>186,224</u>
Total Federal Awards			<u>\$ 784,294</u>

(M) - Represents a "Major" grant under OMB Circular A-133

Notes to the Schedule of Expenditures of Federal Awards

Note 1

This schedule of expenditures of federal awards includes the federal grant activity of the Orleans Parish Criminal Sheriff's Office and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 preparation of, the basic financial statements.



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

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

We have audited the financial statements of the Orleans Parish Criminal Sheriff's Office (the Office) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 23 2005. 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 Office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Office in a separate letter dated June 23, 2005.

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

Postlethwaite & Nettell

June 23, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Orleans Parish Criminal Sheriff's Office (the Office) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Office's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Office's management. Our responsibility is to express an opinion on the Office'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 Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Office's compliance with those requirements.

As described in items 2004-1 and 2004-2 in the accompanying schedule of findings and questioned costs, the Office did not comply with the requirements regarding allowable costs that are applicable to its HIV Prevention Activities-Health Department Based program. Compliance with such requirements is necessary, in our opinion, for the Office to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Office did not comply in all material respects, with the requirements referred to above that are applicable to the HIV Prevention Activities-Health Department Based program. Also, in our opinion, the Office complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 2004-3 and 2004-4.

Internal Control Over Compliance

The management of the Office is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Office's internal control over compliance with requirements that could have a direct and material effect on a major federal programs 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Office's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-3, 2004-4, and 2004-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-2 and 2004-5 to be material weaknesses.

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

Postlethwaite & Tetterville

June 23, 2005

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2004

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: no
- (c) Noncompliance which is material to the financial statements: yes
- (d) Reportable conditions in internal control over major programs: yes; Material weaknesses: yes
- (e) The type of report issued on compliance for major programs: adverse opinion for the HIV Prevention Activities-Health Department Based program and unqualified opinion on other major programs
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: yes
- (g) Major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Child Nutrition Cluster	10.553, 10.555
Local Law Enforcement Block Grants Program	16.592
HIV Prevention Activities-Health Department Based	93.940

- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
 - (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no
- (2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Schedule of Findings and Questioned Costs, Continued

- (3) Findings and Questioned Costs relating to Federal Awards: Listed as follows.

2004-1 Employee Certifications

Federal program and specific federal award identification:

93.940 – HIV Prevention Activities-Health Department Based

Criteria: OMB Circular A-87, item h, subpart 4, requires that employees working on a sole single Federal award, support by periodic certifications that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation which meets the standards defined in the Circular; at a minimum, the reports should be made at least monthly.

Condition: No certifications or personnel activity reports were prepared during the year.

Questioned Costs: See questioned costs at item 2004-2 below.

Cause: The Program personnel had no knowledge of the requirements to obtain certifications from employees.

Effect: The Office is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program Director should comply with the provisions of OMB Circular A-87.

Management's
Response:

Other than a broad reference to OMB Circular A-87, the above-mentioned specific compliance requirements were not identified in the Grant documents nor were they communicated to our Program personnel by the Grantor. Subsequently, we have obtained certifications from our employees whom are currently working solely on the Program. Additionally, we are now utilizing our time-keeping system to capture the required documentation through personnel activity reports.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Schedule of Findings and Questioned Costs, Continued

2004-2 Allowable Costs

Federal program and specific federal award identification:

93.940 – HIV Prevention Activities-Health Department Based

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Personnel costs charged to the program were not for actual costs incurred related to the program. Program personnel cannot substantiate the percentage of time allocated for personnel or the actual number of personnel that were charged to the program. In addition, the amounts charged for fringe benefits were estimated and were not the actual costs incurred.

Questioned Costs: \$148,028

Cause: The Program personnel do not maintain detailed records of time spent on the program.

Effect: The Office is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program personnel should comply with the provisions of OMB Circular A-87. Charges to the program for payroll expenditures should be verified to ensure that the employees are valid program employees.

Management's
Response:

Other than a broad reference to OMB Circular A-87, the above-mentioned specific compliance requirements were not identified in the Grant documents nor were they communicated to our Program personnel by the Grantor. Subsequently, we have obtained certifications from our employees whom are currently working solely on the Program. Additionally, we are now utilizing our time-keeping system to capture the required documentation through personnel activity reports.

2004-3 Nonprofit Status

Federal program and specific federal award identification:

10.553, 10.555 – Child Nutrition Cluster

Criteria: According to the Louisiana Administrative Code, Title 28, Chapter 3, Section 305, the cost of providing meals to eligible children must equal or exceed funding received by the program from federal and/or state funds.

Condition: The cost, based on annual allocation, of providing meals to eligible children for the months for which reimbursement was requested is less than the funding received.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Schedule of Findings and Questioned Costs, Continued

Questioned Costs: \$12,621

Cause: The Office does not have effective procedures in place for determining the cost associated with the operation of the Child Nutrition program. Therefore, the Office did not compare the cost of providing meals to the funding received to ensure compliance.

Effect: The Office is in violation of this requirement.

Recommendation: The actual cost of administering the program should be analyzed and assessed for compliance with federal guidelines. Those costs that meet federal guidelines should be recorded in such a manner that the costs can be used to monitor compliance with this requirement.

Management's
Response: We are currently in the process of reviewing our procedures for determining the Program cost. Prospectively, our new procedures will include an annual analysis of actual cost of providing the meals.

2004-4 Reporting

Federal program and specific federal award identification:

10.553, 10.555 – Child Nutrition Cluster

Criteria: As required by the OMB A-133 Compliance Supplement, the amounts used in financial reports should be derived from the accounting records that support the audited financial statements and the schedule of expenditures of Federal awards.

Condition: The amounts included in the Income and Expenses report (form SFS-8B) filed as of June 30, 2004 could not be traced to supporting worksheets or other documentation that link the report to the accounting records.

Questioned Costs: None

Cause: The Office does not have effective procedures in place to accurately prepare the Income and Expenses report.

Effect: Amounts used in the Income and Expenses report cannot be substantiated.

Recommendation: The Office should ensure that the amounts used in reports are properly supported and can be traced to the accounting records.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Schedule of Findings and Questioned Costs, Continued

Management's Response: Again, we are currently in the process of reviewing our procedures for determining the actual Program cost. In an effort to ensure compliance, our new procedures will result in our ability to trace the amounts included in the form SFS-8B to supporting worksheets and other documentation that are linked to our accounting records.

2004-5 Requests for Reimbursement

Federal program and specific federal award identification:

10.553, 10.555 – Child Nutrition Cluster

Criteria: Requests for reimbursement from federal and state agencies should be submitted on a timely basis.

Condition: Requests for reimbursement were not made on a timely basis during the year.

Questioned Costs: None

Cause: The employee that normally prepares the report was on maternity leave during the time that requests were not timely made and no one ensured that the reports were prepared in her absence. In addition, reimbursement requests were not filed for two months due to an effort to request additional funds. While completing this effort, the required time period for submitting the report expired.

Effect: The Office was not reimbursed for approximately \$120,000 of revenue.

Recommendation: Requests for reimbursement should be prepared and submitted on a monthly basis. A review system should be implemented to ensure that all reports are submitted and are submitted timely.

Management's Response: In the future, to ensure timely filing, we will cross-train additional personnel with the ability to file these requests for reimbursement under this Program.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

02-1 Inmate Accounts

Condition: As reported in 2002, during the fiscal years 2002 and 2003, a portion of the monies collected from inmates at the time of their booking was not turned over to the Accounting Clerk/Cashier for deposit. Based on the evidence to date, employee embezzlement has occurred.

Current Status: Resolved. The ex-employee charged with embezzlement currently awaits trial. The Office intends to vigorously pursue restitution through legal action through both the civil and criminal process.

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE

NEW ORLEANS, LOUISIANA

MANAGEMENT LETTER

DECEMBER 31, 2004

ORLEANS PARISH CRIMINAL SHERIFF'S OFFICE

NEW ORLEANS, LOUISIANA

MANAGEMENT LETTER

DECEMBER 31, 2004



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June 23, 2005

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

In planning and performing our audit of the financial statements of the Orleans Parish Criminal Sheriff's Office (Office) for the year ended December 31, 2004, we considered the Office's internal controls in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control. The objectives of internal control is to provide management with reasonable assurance regarding the achievement of objectives in the following categories: (a) safeguarding assets against loss from unauthorized use or dispositions, (b) reliability of financial reporting, (c) effectiveness and efficiency of operations, and (d) compliance with applicable laws and regulations, which would include the objective that federal award programs are managed in compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors requires estimates and judgments by management.

No matter how good an internal control system is, there are inherent limitations that should be recognized when considering the potential effectiveness of the system. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions or with respect to estimates and judgments required in the preparation of financial statements. The projection of any evaluation of internal controls to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this to emphasize that any system needs to be constantly reviewed and improved where necessary

During our audit we became aware of the matters on the attached list that are opportunities for strengthening internal controls, improving compliance and increasing operating efficiency. This letter does not affect our report dated June 23, 2005 on the basic financial statements of the Office. We appreciate the difficulties that are encountered in attempting to make changes in established practices. We believe, however, that our recommendations, if substantially implemented, will improve controls, compliance and efficiencies.

We have discussed these comments and suggestions with various Office personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We want to thank the staff and consultants of the Office for the courtesies extended to us during the audit.

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

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MANAGEMENT COMMENTS

2004-6 Purchasing and Disbursements System

Criteria: A purchasing and disbursements system for a governmental unit should provide for safeguarding assets, complying with state law, facilitate financial reporting and provide management information.

Condition: The system as presently operating is in substantial compliance with standards however we believe its efficiency and effectiveness can be improved.

During our audit we noted the following:

- Purchase orders are used for substantially all purchases; however, the purchase orders are not always approved and entered into the system prior to the actual order and receipt.
- For the frequently used purchases of food and supplies periodic bids are taken, and for large single purchases bids are usually obtained. However, some items of nominal value that are purchased frequently (items that might be considered likely items to be bid under specifications requirements contracts) are not bid.
- Although the purchasing department signs off on a purchase order they may not have initiated or reviewed the requisitions/purchase orders.
- Some items are purchased through state contracts; however, these are usually initiated by the vendor instead of the purchasing department doing a regular review of items available through the state.
- Through out the year invoices are coded to the next payment cycle when they are expected to be paid. Accounts payable are adjusted manually for interim financial statements.
- "Received not vouchered" which is a temporary holding account does not have a detail subsidiary ledger. A detail listing of this account is not regularly reconciled to the general ledger and stale items are not deleted regularly. Before adjustment at year end this account had substantial balances that required correction.

- The data processing system does not facilitate the calculation of encumbrances/commitments at a particular time once that time has expired. The purchase order schedule prepared for year end that was run in February had already been reduced for January payments and a new listing had to be prepared manually.
- The determination of and the entry of the expense code is not usually done by the requisitioner except for *maintenance, warehouse and medical* but *requisitions* are given to the purchasing clerk who then determines and enters the account code. The physical hard coded purchase order does not show the account code charged (the computer screen does) so the purchasing director when approving the purchase order does not check/review/approve the coding. The accounts *payable personnel do not check the account coding but only verify there is an approved purchase order.* Monthly, the accounting consultants will review accounts such as miscellaneous expense and/or note a problem in coding and correct by journal entry.
- For the year end close substantial time was spent by consultants to record year end accounts payable, *investigate and adjust received not vouchered* and to determine a proper encumbrance.

Recommendation: We have the following recommendations:

- We recommend that a review be made of major vendors to determine the procurement process used for that vendor. The purchasing department should determine if the purchase method meets state purchasing requirements and whether there is a potential for using competitive bids, specifications requirements contracts, requests for proposals or other means to reduce the costs. We recommend that intangibles such as service be considered and documented. Some of these *intangibles can be incorporated into bid specifications.*
- We recommend stronger enforcement of the requirement for purchase orders to be approved before ordering. We are aware that emergencies occur; they should be documented. Personnel should be discouraged from waiting for the invoice to come in before entering the requisition/purchase order.

- We recommend that centralized purchasing be strengthened and that authority, responsibility, training and resources be made available.
- We recommend that state contracts of selected items be reviewed and compared to present bid or non bid price before reordering in the same manner.
- We recommend that open purchase orders be reviewed and investigated on a regular basis.
- We recommend that those initiating a requisition or purchase order provide the account code. Purchasing should review the code. The physical purchase order should include the account code and description. Purchase order approvers and accounts payable should be given responsibility for reviewing the account code.
- We recommend that a full accrual basis be adopted in practice such that payables is held open and that invoices for the prior month can be entered and coded before closing the books. We recommend this process be done with input from accountants, clerks, and J.D. Edwards consultants to facilitate a smooth transition.
- We recommend that the J. D. Edwards system implement the procedures necessary to capture encumbrances/purchase orders at a specified historical date.
- We recommend that received not vouchered be investigated and detailed listings that can be reconciled to the general ledger be prepared.

Management's
Response:

We concur with the recommendation that purchase orders should be approved before a purchase is made. We will immediately review all purchasing procedures and legal requirements with office personnel. Account coding will be provided by the requisitioning department and will be reviewed by the purchasing clerk prior to the issuance of a purchase order. At invoice entry, the accounts payable clerk will also review the coding.

We have always prepared our financial statements on the accrual basis of accounting. Our accounting software allows us to record a liability simultaneously with the receipt of merchandise. This account, received not vouchered, allows us to record an expenditure in the proper accounting period even though the invoice may not be received until a subsequent period. Therefore, we are able to close our books in a timely fashion and produce management reports for analysis within

several days of month end. This allows us to make timely decisions in regards to our financial picture.

On a semi-annual basis, we review all outstanding purchase orders and cancel or close those that should no longer be open. Our accounting software package does not allow us to remove the outstanding purchase orders from a purchase order listing, however, it does allow us to mark them as unavailable for use. Since the purchase order report does not interface with the general ledger, we would have to write a program to remove older purchase orders from the report. Because this report has no financial statement impact, we would not modify source code in our software just for an administrative adjustment.

2004-7 Capital Assets

- Criteria: Louisiana Revised Statute §24:515(B) states that all governments "shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.
- Condition: Internal controls relating to capital assets can be improved. We noted the following during the audit:
- Physical inventories were done over a period of time by the individual buildings and asset numbers were assigned and tags prepared. We noted that many of the asset tags are still attached to the count sheets and have not been attached to the assets.
 - Physical inventory was not performed from an existing list of detailed assets but was an attempt to create a new one; however the new detailed physical records have not been reconciled to the financial records.
 - The capital asset depreciation records which support the *financial statements* are records that have been maintained by the accounting consultants however they are not always in sufficient detail to recognize specific assets.
 - During the year not all capital assets are coded to capital outlay but are reclassified from other accounts.
- Recommendation: The Office should establish detailed written policies and procedures relating to the capitalization of fixed assets. The *capital outlay classification* should be explained to those responsible for purchasing so that proper coding can be done.

When purchases are made they should be identified and tagged. The present financial records should be "reconciled to" the physical tagged assets and should be in sufficient detail to be able to recognize the assets. Tags that have already been assigned should be affixed to the asset whenever possible. Best practices recommends physical inventories be performed every two years. We recommend that physical inventories be done by someone other than the custodian of the fixed assets.

Management's
Response:

Our policy and procedures manual provides detail on the coding of capital assets. We will remind our personnel to review the manual when any questions arise regarding the coding of an expenditure. Often times a maintenance project is undertaken that develops into a full blown project with future benefits. When these types of projects are recognized, the costs associated with that project are reclassified from repairs and maintenance to a capital project. An example of this is a sprinkler repair that developed into a much larger project throughout the building.

Whenever we take a physical inventory of assets, we utilize the efforts of all personnel, especially our wardens and security personnel. We will also enlist the help of individuals from outside of our office to verify the asset counts.

2004-8 Payroll System

Criteria: Payroll should be paid to authorized personnel providing service and charged to the appropriate expense account.

Condition: During our testing of payroll the following was determined.

- Historical records of approved pay changes have not been consistently maintained in the individual personnel files. There is no formalized annual review for employee's merit/performance
- The detailed method for calculating payroll is not easily understood. Only upper management understands the method of calculating payroll and can explain the process. Employees are paid at different rates depending on numerous factors including how many hours they work, the employee level, overtime, or eligibility for state pay. We noted small calculation computer errors occurred sporadically in the calculation of the rates.

Recommendation:

We have the following recommendations:

- We recommend that management provide payroll personnel with more detailed documentation of the methodology to calculate gross and net pay and provide training so that they are able to manually verify computer calculations.
- A detailed historical record of approved pay rate changes should be established and documented in each individual personnel file. The specific approved pay rate change documentation should be easy to retrieve.
- A standardized form for annual performance reviews will allow a way of documenting promotions and pay rate in the employee's personnel file.
- The Office should ensure that the amounts used in reports to granting authorities are properly supported and can be traced to the detailed time records. Personnel should become familiar with A-87 cost principles, particularly relating to payroll.

Management's Response:

We concur with the recommendation. The FLSA payroll requirements are quite complicated and for that reason we outsource the software maintenance necessary to perform the calculations in compliance with the standards. We have begun instructing our payroll personnel in the calculation methods required by FLSA so that they will have a better understanding of the computations of gross pay performed through the software.

In addition to authorized pay increases for changes in rank which are kept in personnel files, we will also include the authorization for any across the board increases authorized by management.

2004-9 Compliance Coordination

Criteria:

Grantees are responsible for establishing and maintaining internal control systems that will ensure compliance with the requirements of laws, regulations, contracts and grant agreements.

Condition:

The following matters came to our attention:

- Federal grants are administered by at least three different departments.
- The accounting department was not informed by the medical department that two programs were federal programs.

- The expenditures of federal grants are not available directly from the general ledger.
- A number of questioned costs and findings related to federal funds were found during the 2004 audit.

Recommendation: We recommend that federal, state and local grants be coordinated through one office that is provided with sufficient training and resources to be able to identify and respond to compliance matters. Before grants are applied for or entered into they should be evaluated to determine that compliance can be met. We recommend that all grant budgets and financial information be reviewed by accounting. We recommend that whenever feasible expenditures should be recorded in the general ledger by grant and reconciled to grant expenditure reports.

Management's Response: We will appoint one individual to be in charge of grant reporting and coordination. That individual will report directly to the controller. The controller will review all grant reports and general ledger reconciliations before the report is submitted to a federal or state agency in order to ensure the accuracy of the report.

2004-10 Records Storage and Retrieval System

Criteria: The underlying documents supporting or documenting the Office's responsibilities, obligations and policies should be maintained and easily accessible.

Condition: During our audit we noted that certain records required for the audit could not be located easily. There appears to be no centralized Office record system

Recommendation: We recommend that the following steps be taken:

- Determine what key documents and records are needed to support the Office's authority and obligations.
- Locate these documents.
- Appoint a centralized librarian.
- Decide on a systematic manner of filing and document this system.
- Determine if electronic and/or paper files are needed.
- If paper documents are maintained design a sign out system.

- Establish a policy for record retention and indicate permanent or the given period before destroying.

Management's
Response:

Our storage policy for retention and destruction of source documents supporting daily transactions is well documented and is being followed. Our accounting policies and procedures manual is also updated regularly and can be obtained from our controller. Documents relating to the creation of the Office and its responsibilities are contained in the Louisiana Constitution and Revised Statutes. Those documents are maintained in our legal library and are available upon request. We will consider whether a more centralized location may be a better storage area for these documents.

2004-11 Inmate Accounts Reconciliation

Criteria: Inmate detail accounts should be reconciled to the general ledger.

Condition: At year end the inmate general ledger balance had to be adjusted to agree with the detail records.

Recommendation: We recommend that the inmate detail accounts be reconciled on a monthly basis.

Management's
Response:

We concur with the recommendation. We will appoint one individual to reconcile the inmate general ledger balance to the sub-ledger balances. Steps will be taken to further reduce the number of timing differences that occurs between the ledger and adjustments will be recorded monthly instead of annually.