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**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

**Financial Statements**

June 30, 1999

(With Independent Auditors' Report Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 16 2000

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Financial Statements

Year ended June 30, 1999

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1900 Deposit Guaranty Tower  
333 Texas Street  
Shreveport, LA 71101-3692

## Independent Auditors' Report

The Honorable Donald E. Hathaway  
Caddo Correctional Center  
Shreveport, Louisiana:

We have audited the accompanying financial statements of the Caddo Correctional Center, a component unit of the Caddo Parish Commission for financial reporting purposes, as of and for the year ended June 30, 1999, as listed in the foregoing table of contents. These financial statements are the responsibility of the Caddo Parish Sheriff's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 1(A), the accompanying financial statements of the Caddo Correctional Center are intended to present the financial position and results of operations of only that portion of the funds and account groups of the Caddo Parish Sheriff that is attributable to the operations of the Caddo Correctional Center covered in the intergovernmental agreement executed between the Caddo Parish Commission and the Caddo Parish Sheriff.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Caddo Correctional Center as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 1999, on our consideration of the Caddo Correctional Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Year 2000 supplementary information on page 17 listed as Required Supplementary Information in the foregoing table of contents is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Caddo Correctional Center is



or will become Year 2000 compliant, that the Caddo Correctional Center's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Caddo Correctional Center does business are or will become Year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information schedules listed in the foregoing table of contents (schedules 1 and 2) are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Caddo Correctional Center. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 8, 1999

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999  
(with comparative totals for June 30, 1998)

	Governmental Fund Type <u>General Fund</u>	Fiduciary Fund Type Agency Funds	Account Groups		Totals (Memorandum Only)	
			General Fixed Assets	General Long-Term Obligations	1999	1998
<b>Assets and Other Debits</b>						
Cash and cash equivalents	\$ 2,515,984	72,456	-	-	2,588,440	3,107,460
Investments	1,000,000	-	-	-	1,000,000	-
Receivables	1,320,576	12,602	-	-	1,333,178	1,517,736
Inventory	58,157	-	-	-	58,157	56,778
Fixed assets	-	-	2,162,258	-	2,162,258	2,063,478
Amount to be provided for accrued claims	-	-	-	78,756	78,756	96,930
Amount to be provided for accrued vacation	-	-	-	767,575	767,575	578,931
<b>Total assets</b>	<b>\$ 4,894,717</b>	<b>85,058</b>	<b>2,162,258</b>	<b>846,331</b>	<b>7,988,364</b>	<b>7,421,313</b>
<b>Liabilities, Equity and Other Credits</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 155,103	-	-	-	155,103	167,302
Accrued expenses	216,865	-	-	-	216,865	161,549
Due to others	-	85,058	-	-	85,058	50,656
Accrued claims payable	18,174	-	-	78,756	96,930	115,104
Accrued vacation	-	-	-	767,575	767,575	578,931
<b>Total liabilities</b>	<b>390,142</b>	<b>85,058</b>	<b>-</b>	<b>846,331</b>	<b>1,321,531</b>	<b>1,073,542</b>
<b>Equity and Other Credits:</b>						
Investment in general fixed assets	-	-	2,162,258	-	2,162,258	2,063,478
<b>Fund balance:</b>						
Reserved for inventory	58,157	-	-	-	58,157	56,778
Unreserved - undesignated	4,446,418	-	-	-	4,446,418	4,227,515
<b>Total equity and other credits</b>	<b>4,504,575</b>	<b>-</b>	<b>2,162,258</b>	<b>-</b>	<b>6,666,833</b>	<b>6,347,771</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 4,894,717</b>	<b>85,058</b>	<b>2,162,258</b>	<b>846,331</b>	<b>7,988,364</b>	<b>7,421,313</b>

See accompanying notes to financial statements.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year ended June 30, 1999  
(with comparative amounts for the year ended June 30, 1998)

	1999	1998
Revenues:		
Sales tax	\$ 7,743,063	7,361,657
Intergovernmental revenues:		
Federal grants	4,400	-
State sources:		
Grants	25,656	23,585
<i>Housing state prisoners</i>	2,370,589	2,129,347
State supplemental pay	622,105	639,795
Caddo Parish Sheriff	1,095,000	975,000
Caddo Parish Commission	2,528,533	2,516,146
Commissions for services - commissary sales	88,841	94,174
Telephone revenue	225,025	225,186
Interest	184,381	187,257
Miscellaneous	85,144	88,017
Total revenues	14,972,737	14,240,164
Expenditures:		
Current - public safety:		
Personal services and related benefits	11,346,758	9,545,375
Materials and supplies	510,664	473,954
Statutory charges	1,648,545	1,507,589
Contractual charges	939,263	1,017,861
Other charges	193,724	281,325
Capital outlay	115,323	144,314
Total expenditures	14,754,277	12,970,418
Excess of revenues over expenditures	218,460	1,269,746
Other financing source - proceeds from sale of general fixed assets	1,822	2,172
Excess of revenues and other financing source over expenditures	220,282	1,271,918
Fund balance at beginning of year	4,284,293	3,012,375
Fund balance at end of year	\$ 4,504,575	4,284,293

See accompanying notes to financial statements.



**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

General Fund

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual on a Budgetary Basis

Year ended June 30, 1999  
(with actual comparative amounts for the year ended June 30, 1998)

	1999		Variance - Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Revenues:				
Sales tax revenue	\$ 7,400,000	7,710,012	310,012	7,325,618
Intergovernmental revenues:				
Federal grants	-	4,400	4,400	-
State grants:				
Housing state prisoners	1,800,000	2,361,414	561,414	2,121,689
State supplemental pay	645,000	672,930	27,930	641,552
Basic Training Reimbursement	20,000	21,500	1,500	28,085
Local grants:				
Caddo Parish Commission	2,830,000	2,757,588	(72,412)	2,281,565
Caddo Parish Sheriff	1,095,000	1,095,000	-	975,000
Commissions for services - commissary sales	95,000	88,838	(6,162)	93,921
Telephone revenue	225,000	225,025	25	225,186
Interest	190,000	184,381	(5,619)	187,257
Miscellaneous	45,000	42,560	(2,440)	87,909
Total revenues	<u>14,345,000</u>	<u>15,163,648</u>	<u>818,648</u>	<u>13,967,782</u>
Expenditures:				
Public safety:				
Personal services and related benefits	11,429,000	11,291,821	137,179	9,492,587
Materials and supplies	494,000	520,141	(26,141)	458,594
Statutory charges	1,605,000	1,598,351	6,649	1,542,627
Contractual services	1,047,500	1,004,868	42,632	1,038,059
Other charges	212,000	233,861	(21,861)	463,467
Capital outlay	100,000	100,760	(760)	74,427
Total expenditures	<u>14,887,500</u>	<u>14,749,802</u>	<u>137,698</u>	<u>13,069,761</u>
Excess (deficiency) of revenues over expenditures	(542,500)	413,846	956,346	898,021
Other financing source - sale of fixed assets	<u>3,000</u>	<u>1,822</u>	<u>(1,178)</u>	<u>2,172</u>
Excess (deficiency) of revenues and other financing source over expenditures	(539,500)	415,668	955,168	900,193
Fund balance at beginning of year	<u>4,284,293</u>	<u>4,284,293</u>	<u>-</u>	<u>3,012,375</u>
Fund balance at end of year	<u>\$ 3,744,793</u>	<u>4,699,961</u>	<u>955,168</u>	<u>3,912,568</u>

See accompanying notes to financial statements.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(1) Summary of Significant Accounting Policies**

The Caddo Correctional Center ("Center") was created by the Caddo Parish Commission ("Commission") under the provisions of Louisiana Revised Statute 33:1236 providing for the maintenance and operation of a parish prison. The jail is a modern correctional facility that has a maximum capacity of 1,070 male and female inmates.

**(A) Reporting Entity**

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

In accordance with an agreement reached between the Caddo Parish Sheriff ("Sheriff") and the Commission, the Sheriff manages and operates the jail facility. The Sheriff also maintains accounting records, prepares annual budgets, and prepares financial information. The maintenance and operation of the Center is funded by the one-quarter cent sales tax. The Sheriff receives directly all funds generated from any source as a result of operations at the jail, including concessions, telephones, and grants, all of which are dedicated to the operation of the jail facility. Through December 31, 1997, the Commission received from the Sheriff a portion of the monies received by the Sheriff from the housing of nonparish prisoners for its maintenance costs of the jail facility related to these prisoners. This amount was negotiated by the Parish Administrator and the Sheriff based on actual maintenance and operating costs. Effective January 1, 1998, this financial arrangement between the Sheriff and Parish Administrator ended. No other financial arrangement has been negotiated between the Sheriff and Parish Administrator.

The accompanying financial statements present the financial position and results of operations of the Center relating only to the Sheriff's responsibility to operate the Center. These statements do not report the expenditures relating to the maintenance of the Center since it is the Commission's responsibility to maintain the Center, nor do these financial statements present the financial position or results of operations of the Sheriff.

The accounting policies of the Center conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:



**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(B) Basis of Presentation**

The Center's operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The following fund types and account groups are utilized:

**Governmental Fund**

The Governmental Fund is that through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through the governmental fund. The General Fund is accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, the General Fund is said to present a summary of sources and uses of "available spendable resources" during a reporting period.

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the Center and accounts for the operations of the Center. The Center's primary source of revenue is a 1/4 cent sales tax and appropriations from the Commission and the Sheriff. Other sources of revenue include per diem for housing state prisoners, state supplemental pay for deputies, telephone revenue, and commissary sales. General operating expenditures are paid from this fund.

**Agency Funds**

Agency Funds are used to account for assets held in a trustee capacity. The Center's Agency Funds are used for the receipt and disbursement of funds for inmates of the Caddo Correctional Center. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

**Account Groups**

Account groups are used to establish accounting control and accountability for the Center's general fixed assets and general long-term obligations. The General Fixed Assets Account Group is established to account for all fixed assets of the Center. The General Long-Term Obligation Account Group is established to account for all long-term obligations of the Center.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

*(C) Basis of Accounting*

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The Governmental Fund is accounted for using 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. Expenditures are recognized when the related fund liability is incurred.

The General Fund uses the following practices in recording revenues and expenditures:

**Revenues**

Intergovernmental revenues and commissions for services are recorded when the Center is entitled to the funds.

Sales taxes held by the intermediary collecting agency are recognized as revenue.

Interest income on time deposits is recorded as earned.

Substantially all other revenues are recorded when received.

**Expenditures**

Governmental Fund expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Fiduciary Funds (Agency Funds) use the following practices in recording additions and reductions:

**Additions**

Additions are generally not susceptible to accrual because they are not measurable until received in cash. However, some additions become measurable before being received and are accrued accordingly.

**Reductions**

Reductions are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(D) *Budgetary Accounting***

The Center utilized the following procedures in establishing the budgetary data for the General Fund:

- (1) During June, the Sheriff's office prepared the proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing was held on the proposed budget.
- (3) The adopted budget was published in the official journal prior to the commencement of the fiscal year for which the budget was being adopted.
- (4) A public hearing was held for proposed amendments to the budget.
- (5) Amended budget was published in the official journal.
- (6) All budgetary appropriations lapsed at the end of the fiscal year.
- (7) The budget was prepared on the basis of cash estimates which meant that for budgetary purposes revenues were budgeted in the year of receipt rather than the year earned, and expenditures were budgeted in the year paid rather than in the year incurred. Inventory purchases were recorded as expenditures at the time of purchase rather than under the consumption method. Expenditures may not legally exceed appropriations on a fund basis.

**(E) *Encumbrances and Budget***

Encumbrance accounting is not used. However, formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

**(F) *Inventory***

Inventory consists of dietary items. Inventory is valued at cost, and is recorded as expenditures under the consumption method using the first-in, first-out cost method.

Reported inventory is equally offset by a fund balance reserve that indicates that this portion of fund balance does not constitute available spendable resources even though it is a component of net current assets.

**CADDO CORRECTIONAL CENTER**  
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Notes to the Financial Statements

June 30, 1999

**(G) *Fixed Assets and Long-Term Liabilities***

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with the Center are determined by the fund's measurement focus where the focus is upon determination of changes in financial position rather than upon net income determination.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Such assets are valued at historical cost, if purchased, and at fair market value at date of gift, if donated. No depreciation has been provided for assets accounted for in the General Fixed Assets Account Group.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Obligations Account Group, not in the General Fund.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Obligations Account Group.

**(H) *Accrued Vacation***

Full-time employees of the Center earn from 10 to 20 days of vacation leave each year depending upon their length of service. Employees resigning or heirs of deceased employees may be paid for unused vacation leave at their current rate of pay. Sick leave is granted at the discretion of the Sheriff, but employees are not paid for accumulated sick leave upon retirement or resignation. The Center accrues costs incurred for vacation leave in the General Long-Term Obligations Account Group. Accrued sick leave benefits are not accrued due to the Center's policy of not paying benefits upon termination. No accrual is made in the General Fund because the current portion of the liability does not exceed a normal year's accumulation of benefits and is deemed immaterial.

**(I) *Investments***

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.



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Notes to the Financial Statements

June 30, 1999

State statutes generally authorize the Center to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission. In addition, local governmental entities in Louisiana are authorized to invest in the Louisiana Asset Management Pool Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a-7, which governs registered money market funds. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. The dollar weighted average portfolio maturity of LAMP investments is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost. LAMP is designed to be highly liquid to give participants immediate access to their account balances. For financial reporting purposes, investments with the LAMP are treated as cash equivalents.

**(J) Reservations of Fund Balance**

Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use.

**(K) Claims and Judgments**

Claims and judgments are recorded as expenditures in the governmental fund for the amount that will be liquidated with current available financial resources. The remainder of any liability is recorded in the General Long-Term Obligations Account Group.

**(L) Comparative Total Data**

Comparative total data as of June 30, 1998, have been presented in the accompanying combined balance sheet and statement of revenues, expenditures, and changes in fund balance to provide an understanding of changes in the Center's financial position. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.



**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(M) Total Columns**

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the combined financial statement line items of the General Fund, Fiduciary Fund, General Fixed Assets Account Group, and the General Long-Term Obligations Account Group and are presented for analytical purposes only. The summation includes fund types and account groups that use different bases of accounting. Therefore, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures of the Center.

**(2) Budgetary Data**

The budget is adopted on a cash basis which means that for budgetary purposes revenues and expenditures are recorded in the year received (paid) rather than in the year earned (incurred). Inventory items are also recorded at the time purchased rather than when consumed.

Revisions made to the original General Fund expenditures budget was as follows:

	<b>Original Budget</b>	<b>Total Revision</b>	<b>Revised Budget</b>
General Fund	\$ 15,063,500	(176,000)	14,887,500

Adjustments necessary to convert the excess of revenues over expenditures at the end of the year on the budgetary basis to a basis consistent with generally accepted accounting principles are as follows:

Excess of revenues and other financing sources over expenditures (budgetary basis)	\$ 415,668
Accrual of expenditures at June 30, 1999	(324,520)
Accrual of expenditures at June 30, 1998	320,044
Accrual of sales tax and other revenue at June 30, 1999	1,320,576
Accrual of sales tax and other revenue at June 30, 1998	(1,511,486)
Net revenue and expenditure accruals	(195,386)
Excess of revenues and other financing sources (GAAP basis) over expenditures	\$ 220,282

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(3) Cash and Cash Equivalents**

All deposits of the Center are held by area financial institutions. At June 30, 1999, the carrying value of the Center's deposits was \$679,073 and the bank balance was \$1,147,219. The difference is due to the outstanding checks at June 30, 1999. Of the bank balance, \$100,000 was covered by federal depository insurance (GASB Category 1) and \$1,047,219 was collateralized with securities held by the pledging financial institution's trust department or agent, but in the Center's name (GASB Category 2). In addition, the Center had \$1,909,367 invested in LAMP. This investment is treated as a mutual fund and is considered a cash equivalent for financial reporting purposes.

**(4) Investments**

At June 30, 1999, investments held are as follows:

	Carrying/Fair Value
General Fund – U.S. Government Agency obligation (Category 1)	\$ <u>1,000,000</u>

Category 1 investments are insured or registered, or are securities held by the Center or its agents in the Center's name.

**(5) Receivables**

The General Fund receivables at June 30, 1999, are as follows:

Sales tax	\$ 845,200
Intergovernmental revenues:	
State funds - housing state prisoners	200,684
Caddo Parish Commission - inmate subsistence	217,619
Telephone revenue	37,500
Commissions for services - commissary	9,075
Refunds and reimbursements	10,498
Total	\$ 1,320,576

**CADDO CORRECTIONAL CENTER**  
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Notes to the Financial Statements

June 30, 1999

The Agency Fund receivables at June 30, 1999, are as follows:

Telephone revenue	\$	12,500
Miscellaneous revenue		<u>102</u>
Total	\$	<u><u>12,602</u></u>

**(6) General Fixed Assets**

A summary of changes in general fixed assets follows:

Balance, July 1, 1998	\$	2,063,478
Additions - primarily office furnishings, equipment and software		100,760
Deletions		<u>1,980</u>
Balance, June 30, 1999	\$	<u><u>2,162,258</u></u>

**(7) Long-Term Obligations**

A summary of changes in accrued compensated absences and accrued claims follows:

	<b>Claims</b>	<b>Accrued Vacation</b>
Balance, July 1, 1998	\$ 96,930	578,931
Gross change	<u>(18,174)</u>	<u>188,644</u>
Balance, June 30, 1999	\$ <u><u>78,756</u></u>	<u><u>767,575</u></u>

**(8) Defined Benefit Pension Plan**

**(A) Description of Plan**

The Center provides retirement, death, and disability benefits to substantially all of its employees through the Sheriffs' Pension and Relief Fund of Louisiana ("System"), a cost-sharing multiple-employer public employee statewide retirement system ("PERS"), controlled and administered by a separate board of trustees. All sheriffs and all deputies who are found to be physically fit at the time of original employment are required to participate in the System.

**CADDO CORRECTIONAL CENTER**  
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Notes to the Financial Statements

June 30, 1999

**(B) Funding Status and Progress**

Benefit provisions are established in accordance with Louisiana State Statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Board of Trustees of the Sheriffs' Pension and Relief Fund of Louisiana, P.O. Box 3163, Monroe, LA 71210-3163.

**Funding Policy**

Contributions to the System include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and a direct appropriation from the State of Louisiana. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Covered employees were required to contribute 8.7% of their salary for the years ending June 30, 1999, 1998, and 1997. The Center was required to contribute 5%, 5%, and 6% of covered employees' salaries for the years ended June 30, 1999, 1998, and 1997, respectively. The Center's contributions for the years ended June 30, 1999, 1998, and 1997 were \$437,407, \$365,067, and \$425,581, respectively, equal to the required contribution for each year. In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the pension liability was determined to be zero. Prior to adoption of GASB 27, the Center did not report a pension liability for the System.

**(9) Postretirement Benefits**

In addition to the pension benefits described in Note 8, the Center provides certain continuing postretirement health care and life insurance benefits through the Louisiana Sheriffs' Association Group Benefits Plan in accordance with state statutes to all retired employees who were participants of the plan prior to their retirement date. The premiums for retiree health insurance are paid by the Center with life or dependent care premiums being paid by the retiree. The Center recognizes the cost of providing these benefits as an expenditure on a pay-as-you-go basis when the monthly premiums are due. At June 30, 1999, there were sixteen retirees receiving benefits. The Center's cost of benefits provided to retirees was approximately \$34,000 for 1999.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Notes to the Financial Statements

June 30, 1999

**(10) Changes in Agency Fund Balances**

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

	<b>Balance July 1, 1998</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 1999</b>
Agency funds:				
Inmate Personal Fund	\$ 21,952	785,008	766,115	40,845
Inmate Welfare Fund	28,704	88,304	72,795	44,213
Total	\$ 50,656	873,312	838,910	85,058

**(11) Litigation, Claims, and Risk Management**

***Litigation***

At June 30, 1999, the Center is named as a defendant in several lawsuits. In the opinion of management, sufficient insurance coverage exists to cover these suits and resolution of these matters will not have a material adverse effect on the financial condition of the Center.

***Claims***

Accrued claims payable of \$78,756 have been established for a settlement that is to be paid over the next five years at approximately \$18,000 per year.

***Risk Management***

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions. These risks are handled by the Center through the purchase of various commercial insurance policies with varying coverage limits, deductibles, and premiums based on the type of policy. No significant reductions in insurance coverage from coverage in the prior year occurred and no claims exceeded the Center's insurance coverage for each of the past three years.



**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Required Supplementary Information

Disclosures About Year 2000 Issues

For year ended June 30, 1999

(Unaudited)

The Center is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The Year 2000 Issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the Year 2000 Issue could affect electronic equipment containing computer chips that have date recognition features.

The Center has completed an inventory of computer systems and other electronic equipment and the awareness, assessment and remediation stages of its Year 2000 compliance work with respect to its computer systems, which included the development of contingency plans. These plans were developed in the event that any of its computer systems or critical suppliers are not Year 2000 compliant. The Center is currently within the validation/testing stage, during which the Center validates and tests the changes made during the remediation process. The costs associated with these changes are being funded on a pay-as-you-go basis. The validation and testing phase of the work is targeted to be completed by December 1, 1999. As of June 30, 1999, the Center had no significant amount of resources committed.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Center is or will be year 2000 ready, that the Center's remediation efforts will be successful in whole or in part, or that third-party suppliers, customers or Federal and State Agencies with whom the Center does business will be year 2000 ready.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Fiduciary Funds - Agency Funds

Combining Balance Sheet

June 30, 1999

<b>Assets</b>	<b>Inmate Personal Fund</b>	<b>Inmate Welfare Fund</b>	<b>Total</b>
Cash and cash equivalents	\$ 40,845	31,611	72,456
Receivable	-	12,602	12,602
	<u>\$ 40,845</u>	<u>44,213</u>	<u>85,058</u>
<b>Liability</b>			
Due to others	\$ <u>40,845</u>	<u>44,213</u>	<u>85,058</u>

See accompanying independent auditors' report.

**CADDO CORRECTIONAL CENTER**  
Shreveport, Louisiana

Fiduciary Funds - Agency Funds

Schedules of Changes in Balances Due to Others

For the year ended June 30, 1999

	<u>Inmate Personal Fund</u>	<u>Inmate Welfare Fund</u>	<u>Total</u>
Balances at beginning of period	\$ 21,952	28,704	50,656
Additions:			
Deposits - inmates	785,008	-	785,008
Telephone commissions	-	81,225	81,225
Interest on investments	-	1,422	1,422
Other additions	-	5,657	5,657
Total additions	<u>785,008</u>	<u>88,304</u>	<u>873,312</u>
Reductions:			
Purchases of personal items	460,766	-	460,766
Subscriptions	-	2,680	2,680
Teacher services	-	3,000	3,000
General supplies	-	7,384	7,384
Inmate supplies	-	47,363	47,363
Educational programs	-	7,434	7,434
Refunds to inmates	232,302	-	232,302
Other reductions (medical/dental services)	73,047	4,934	77,981
Total reductions	<u>766,115</u>	<u>72,795</u>	<u>838,910</u>
Balances at end of period	\$ <u>40,845</u>	<u>44,213</u>	<u>85,058</u>

See accompanying independent auditors' report.



1900 Deposit Guaranty Tower  
333 Texas Street  
Shreveport, LA 71101-3692

10/11/99  
10/11/99

**Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Donald E. Hathaway  
Caddo Parish Sheriff  
Shreveport, Louisiana:

We have audited the financial statements of the Caddo Correctional Center ("the Center") as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance reported to the management of the Caddo Parish Sheriff in a separate letter dated October 8, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center'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 assurance 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 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 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. However, we noted other matters involving the internal control over financial reporting and other operational matters that we have reported to the Caddo Parish Sheriff in a separate letter dated October 8, 1999.

This report is intended solely for the information and use of the Caddo Parish Sheriff, Caddo Correctional Center's management, and the State of Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 8, 1999



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.



1900 Deposit Guaranty Tower  
333 Texas Street  
Shreveport, LA 71101-3692

October 8, 1999

**CONFIDENTIAL**

The Honorable Sheriff Donald E. Hathaway  
Caddo Parish Sheriff  
Shreveport, Louisiana

We have audited the financial statements of the Caddo Parish Sheriff, Caddo Correctional Center, and Tax Collector - Agency Fund (the "Sheriff") as of and for the year ended June 30, 1999, and have issued our reports thereon dated October 8, 1999. In planning and performing our audits of the financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audits, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

**YEAR 2000 COMPUTER ISSUES**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Sheriff's computer programs and certain hardware that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations. In addition, some computerized systems do not properly perform calculations with dates beginning in 1999 because these systems use the digits "99" in date fields to represent something other than the year 1999. Such problems are known as the Year 2000 Issue. The Year 2000 Issue may manifest itself before, on or after January 1, 2000, and its effects on operations and financial reporting may range from minor errors to catastrophic systems failure.

The Year 2000 Issue is a significant concern. Failure to adequately address the year 2000 could result in costly and significant application program failures that prevent the Sheriff from performing its normal processing activities. At this stage, contingency planning is vitally important to ensuring the Sheriff is in a position to continue operating uninterrupted. However, there can be no assurance that the systems of other companies, on which the Sheriff's systems rely, will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Sheriff's systems.





The Honorable Sheriff Donald E. Hathaway  
Caddo Parish Sheriff  
October 8, 1999  
Page 2

### AGENCY FUNDS

**Observation** — During our review of the Sheriff's agency funds, we noted that the fund activity rollforward for the Sheriff's Sales Fund does not agree to its corresponding bank reconciliation. This difference appears to be due to a difference in the beginning balance carried over from a previous year.

**Recommendation and Benefit** — We recommend adjustments be recorded necessary to correct the fund activity rollforward and, on a going-forward basis, the fund activity rollforwards for all agency funds be prepared on a monthly basis and agreed to the bank reconciliations. This procedure will allow the Sheriff's office to isolate and investigate cash over (short) amounts on a timely basis.

### INTERNAL CONTROLS - CASH

**Observation** — During our audit procedures, we noted that the check signing machine is kept in a vacant office in the accounting department; however, two keys are needed to operate the check signing machine. The keys to the check signing machine as well as all checks are maintained in a locked closet within the accounting department. All accounting department employees have keys to the closet providing them unlimited access to both the checks and check signing machine.

**Recommendation and Benefit** — We noted the accounting department maintains a check log for both computerized and manual checks to ensure all checks are properly accounted for at all times. This log is examined periodically by accounting department personnel. We recommend additional controls be implemented. For example, limiting the number of employees with access to the closet and/or one of the two keys needed to operate the check signing machine be accessible only by the controller and director.

### STATE BID LAWS

**Observation** — During the current fiscal year, it was noted that several purchases of materials and supplies totaling greater than \$15,000 of the same and/or similar items with one particular vendor were not considered for the bid process. These purchases spanned the entire fiscal year, rather than being one lump sum purchase.

**Recommendation and Benefit** — R.S. 38.2212.A.(1)(a)(ii) states that all purchases of \$7,500 or more, but less than \$15,000 shall be made by obtaining not less than three telephone or facsimile quotations. R.S. 38.2212.A.(1)(a)(i) states that all purchases of any materials or supplies exceeding the sum \$15,000 to be paid out of public funds, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specifications as advertised, and no such public work shall be done and no such purchase shall be made except as provided in this Part.

The Honorable Sheriff Donald E. Hathaway  
Caddo Parish Sheriff  
October 8, 1999  
Page 3

The \$7,500/\$15,000 stated thresholds, per the state bid laws, are interpreted to mean individual purchases not cumulative purchases. However, in the event that planned expenditures for a project are expected to exceed the state dollar thresholds, proper bid procedures should be followed. We noted that steps have been taken by the purchasing department to address compliance with state bid laws as it relates to multiple purchases of materials and supplies with one specified vendor.

\* \* \* \* \*

Our procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the above named entities gained during our work to make comments and suggestions that we hope will be useful to you.

We would like to take this opportunity to thank the personnel of the Caddo Parish Sheriff, Caddo Correctional Center, and Caddo Parish Tax Collector for their cooperation and assistance during the course of our audit.

This report is intended solely for the information and use of the Caddo Parish Sheriff, Caddo Correctional Center, Caddo Parish Tax Collector, management, State of Louisiana Legislative Auditor, and federal agencies.

Very truly yours,

KPMG LLP



CHIEF CRIMINAL DEPUTY  
D. Milton Almond  
(318) 681-0631

# Don Hathaway

Sheriff and Ex-Officio Tax Collector  
Caddo Parish Courthouse  
501 Texas St. Room 101  
Shreveport, Louisiana 71101-5410  
(318) 681-0609 FAX: (318) 226-6589  
WEB SITE: [www.caddosheriff.org](http://www.caddosheriff.org)

ASSISTANT CHIEF DEPUTIES  
John M. Sells  
Detention  
(318) 677-5254

Marcus C. Williams, Jr.  
Administration  
(318) 681-0694

December 16, 1999

Mr. Daniel G. Kyle, CPA, CFE  
Legislative Audit Advisory Council  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Kyle:

In reference to the comments in the management letter from KPMG dated October 8, 1999, the matters noted have been addressed as follows:

### Year 2000 Computer Issues

The Sheriff's Office has implemented Y2K updates provided by the vendors for the primary software used throughout the organization on our mainframe system. The majority of the personal computers have been rebuilt or replaced with Y2K compliant equipment. Management has also attempted to identify and document all contingency plans for continued operations, computer and non-computer related.

### Agency Funds

The Comptroller, Internal Auditor, Agency Fund Divisions, and KPMG auditors will coordinate efforts to identify and adjust differences in beginning balances on the rollforward schedules and correct variances between ledger and bank balances for the audit year ending June 30, 2000.

### Internal Controls - Cash

All accounting personnel are allowed access to the area where check signing machine keys are located. Currently, there are only four employees besides the comptroller and director, all of which have responsibilities for safeguarding funds received and/or check stock. However, we can restrict access to the second operating key to the comptroller, director, and manager. The manager position will be filled in January 2000 allowing for additional controls over cash and other accounting functions.

Page Two  
Daniel Kyle

State Bid Law

The Sheriff's Office has adopted centralized purchasing procedures to ensure that all purchases will be evaluated and addressed as to the compliance with state bid laws by the purchasing department. The Comptroller through the budget process, financial statement review, and vendor analysis will monitor this process.

Please contact us should you have other questions or requests.

Sincerely,

DON HATHAWAY, SHERIFF



Beverly Steiner  
Comptroller

cc: Sheriff Don Hathaway  
Chief Milton Almond  
Asst. Chief Marcus Williams