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VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

WITH SUPPLEMENTAL INFORMATION SCHEDULES

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 12-15-04

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004
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INDEPENDENT AUDITOR'S REPORT

The Honorable John S. Craft
Vernon Parish Sheriff
Leesville, Louisiana

We have audited the accompanying basic financial statements of the Vernon Parish Sheriff, as of June 30, 2004, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Vernon Parish Sheriff's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Parish Sheriff, as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Notes 1 and 13 to the financial statements, the sheriff has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

Management's discussion and analysis, and supplementary information on pages 3 - 5 and 25 - 27, 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 required supplementary information and reviewing the source of selected information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Vernon Parish Sheriff. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004, on the Vernon Parish Sheriff's compliance with laws, regulations, contracts and grants, and our consideration of the agency's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Marcus, Robinson & Hassell

MARCUS, ROBINSON AND HASSELL
Monroe, Louisiana
October 26, 2004

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

VERNON PARISH SHERIFF
LEESVILLE, LA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following narrative discussion and analysis of the financial statements of the Vernon Parish Sheriff as of and for the fiscal year ending June 30, 2004 is submitted by the Chief Fiscal Officer of the Vernon Parish Sheriff's Department, and is intended to be used to enhance the readers understanding of the basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Assets of the Sheriff's office exceeded its liabilities by \$1,488,653.
- Total expenditures exceeded total revenues by \$219,355.
- A 1/2% sales tax (perpetual in duration of tax) was passed by the voters of Vernon Parish. Only three months collections are reflected in the accompanying financial statements. Total sales tax revenue was \$409,559.
- Personnel and related benefit costs comprise 63% of total expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an overview of the Sheriff's basic financial statements. The Statement of Net Assets and the Statement of Activities (Governmental-wide Financial Statements) provide information about the financial activities as a whole and illustrate a longer-term view of the Sheriff's finances. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund tell how these services were financed in the short term as well as what remains for future spending. This report also contains other supplementary information in addition to the basic financial statements themselves.

In the Independent Auditor's Report, the auditor assures that the Basic Financial Statements are accurately and fairly stated. This Independent Auditor's Report should be used to judge the level of assurances provided for each portion in the Financial Section.

Government - wide Financial Statements. These financial statements are used to present a general over all look at the finances of the Vernon Parish Sheriff's Department similar to a private sector business.

Statement of Net Assets. By determining the difference between the assets and liabilities of the Vernon Parish Sheriff, "Net Assets" is determined. By comparing Statements of Net Assets over a period of time, the overall financial trend of the sheriff can be monitored.

Statement of Activities. This statement shows changes in the sheriff's net assets during the course of the fiscal year and includes revenues and expenses for items such as earned and accumulated but unused leave, which is going to effect cash flows in future fiscal years. The Statement of Activities reports all changes to net assets as soon as the event affecting net assets occurs.

Fund Financial Statements - To comply with finance related legal requirements, the Vernon Parish Sheriff groups related accounts into funds. Fund accounting is used by state and local governments to manage revenues or resources designated for a specific purpose. These funds can be divided into two categories: governmental funds and agency or fiduciary funds.

Government Funds - information contained in these funds may be used to determine a government's immediate or near-term financing needs since the focus of governmental fund financial statements is on immediate or near term revenues and expenses and not only on balances available at the end of the fiscal year.

Governmental funds account for the same functions as governmental activities found in the government-wide statements but is presented with a more narrow focus. The reader may find it helpful to draw a comparison between the information presented in the governmental funds with information presented for governmental activities in the government-wide financial statements to better understand the long range impact of decisions made for near-term financing. One may choose to use the reconciliation provided for the governmental fund balance sheet and governmental fund statement of revenue, expenditures, and changes in fund balances to more clearly draw the comparison between these governmental funds and governmental activities.

A budgetary comparison statement is provided to demonstrate compliance with the sheriff's annual adopted appropriated budget.

Agency (Fiduciary) Funds - these funds are used to manage monies and resources held by the sheriff on behalf of others, such as inmate trust deposits, taxes, fines and bonds. Since these resources do not belong to the sheriff and are not available to support the operations of the sheriff, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements - These notes provide additional information which is helpful in understanding the data presented in the government-wide and fund financial statements.

Other Information - this report provides certain required supplementary information above and beyond the basic financial statements and accompanying notes regarding the financial activities of the Vernon Parish Sheriff's Department.

Government-wide Financial Analysis

Net assets may be used to track the sheriff's financial trend over the course of several fiscal years. As of June 30, 2004, the Vernon Parish Sheriff's excess of assets over liabilities is \$1,488,653. Of the sheriff's assets, \$1,894,129 is fixed assets (land, buildings & equipment) and is not available for future spending. This fixed assets amount is approximately 74% of the total assets. Allowance has been taken for outstanding debt incurred for the purchase of these fixed assets. The value of capital outlay assets is calculated as net, after allowance for outstanding debt, but the revenue to repay this debt must be generated from other sources.

Other portions of the sheriff's net assets are reserved for debt service. The remaining net assets are affected by the future acquisition of fixed assets secured with borrowed funds and the first time depreciation on fixed assets currently reported in the Statement of Net Assets.

Because fiscal year 2004 is the first year this reporting model is being used, comparative information is unavailable for additional government-wide financial analysis. A comprehensive comparative analysis of government-wide data will be presented after prior years information is retained.

Financial Analysis of the Government's Funds

Fund accounting is used by the Vernon Parish Sheriff to demonstrate its compliance with finance related legal requirements and to provide information used in determining the government's financing needs. Governmental funds are used to provide information on near-term inflows, outflows, and expendable resource balances. The unreserved fund balance may be used to gauge the government's end of year net resources that will be available for spending.

The Vernon Parish Sheriff's combined governmental fund balances as of June 30, 2004 is \$550,359. The June 30, 2003 combined governmental fund balances was \$321,341. This is an increase of \$229,018. Of the June 30, 2004 balances, \$525,344 is unreserved and undesignated. The General Fund's unreserved, undesignated fund balance as of June 30, 2003 was \$264,426 and is \$501,905 as of June 30, 2004. This is an increase of \$237,479 for fiscal year 2004.

General Fund Budgetary Highlights

While expenditures reported on the final budget are greater than projected expenditures at the beginning of the year, the final adopted budget for June 30, 2004 reflects an increase in revenue over the original budget for the fiscal year. This is the result of slight increases in most revenue generating sources but primarily from an increase in revenue from housing inmates and the collection of a newly levied ½ sales tax.

The tax became effective in April, 2004. The revenue is not restricted and is dedicated for the purpose of providing funding for the law enforcement district. The tax is perpetual. Management estimates an increase of \$1,500,000 in revenue from the sales tax for the year ended June 30, 2005.


Capital Asset and Debt Administration

Capital Assets: The Vernon Parish Sheriff investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$1,894,129 (net of accumulated depreciation). Fixed assets increased by \$32,450 for the year are the result of automobile purchases.

Long-term Debt: Total outstanding long-term debt for the Vernon Parish Sheriff as of June 30, 2004 is \$923,087. Of this amount, \$916,639 will be paid in full during fiscal year 2005. Outstanding debt was increased by \$373,550 during fiscal year 2004 and the remaining balance will be paid according to the debt agreements.

Request for Information

This report may be used by all persons with an interest in the financial status of the Vernon Parish Sheriff. It is designed to help the reader gain a general over-all view of the sheriff's finances. Any question or request for additional information should be addressed to the Vernon Parish Sheriff, P.O. Box 649, Leesville, La 71496-0649.


October 26, 2004

BASIC FINANCIAL STATEMENTS

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

Statement A

ASSETS

Cash and Cash Equivalents	343,894
Receivables	294,032
Inventory	25,015
Capital Assets (net of accumulated depreciation)	<u>1,894,129</u>

TOTAL ASSETS

2,557,070

LIABILITIES

Accounts Payable	112,582
Deferred Comp Payable	29,247
Accrued Interest Payable	3,501
Long-Term Liabilities	
Due Within One Year	916,639
Due in More Than One Year	<u>6,448</u>

TOTAL LIABILITIES

1,068,417

NET ASSETS

Invested in Capital Assets, net of related debt	1,710,590
Reserved for Inventory	25,015
Unrestricted	<u>(246,952)</u>

TOTAL NET ASSETS

1,488,653

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Statement B

		<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
<u>Expenses</u>	<u>Operating</u> <u>Grants</u>	<u>Capital</u> <u>Grants</u>		
<u>Functions/Programs:</u>				
<u>Judicial</u>				
Personal Services	4,095,043	84,956	0	4,010,087
Operating Services	933,250	0	0	933,250
Materials and Supplies	852,298	12,543	38,895	800,860
Travel and Other Charges	492,740	0	0	492,740
Debt Service-Interest	42,962	0	0	42,962
Depreciation	<u>125,224</u>	<u>0</u>	<u>0</u>	<u>125,224</u>
<u>TOTAL PROGRAM EXPENSES</u>	<u>6,541,517</u>	<u>97,499</u>	<u>38,895</u>	<u>6,405,123</u>
 <u>Program Revenues</u>				
Commission on License				33,212
Fines & Costs				301,397
Civil & Criminal Fees				215,699
Housing Prisoners				2,517,821
Other				<u>521,115</u>
<u>TOTAL PROGRAM REVENUES</u>				<u>3,589,244</u>
<u>NET PROGRAM EXPENSES</u>				<u>(2,815,879)</u>
 <u>General Revenues</u>				
Taxes - Ad Valorem				1,458,065
Taxes - Sales Tax				409,559
Grants & Contributions				
Federal Sources				76,562
State & Local Sources				647,090
Interest Earned				<u>5,248</u>
<u>Change in Net Assets</u>				<u>(219,355)</u>
<u>Net Assets at Beginning of Year</u>				<u>1,708,008</u>
<u>Net Assets at End of Year</u>				<u>1,488,653</u>

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

Statement C

	<u>General Fund</u>	<u>Non-Major Inmate Commissary Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	320,455	23,439	343,894
Receivables	294,032	0	294,032
Inventory	<u>0</u>	<u>25,015</u>	<u>25,015</u>
<u>TOTAL ASSETS</u>	<u>614,487</u>	<u>48,454</u>	<u>662,941</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts Payable	<u>112,582</u>	<u>0</u>	<u>112,582</u>
<u>TOTAL LIABILITIES</u>	<u>112,582</u>	<u>0</u>	<u>112,582</u>
Fund Equity:			
Unreserved - Undesignated	501,905	23,439	525,344
Reserved for Inventory	<u>0</u>	<u>25,015</u>	<u>25,015</u>
<u>TOTAL FUND EQUITY</u>	<u>501,905</u>	<u>48,454</u>	<u>550,359</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>614,487</u>	<u>48,454</u>	<u>662,941</u>

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

Statement D

Total Fund Balances at June 30, 2004 - Governmental Funds (Statement C)		<u>550,359</u>
Cost of Capital Assets at June 30, 2004	3,612,081	
Less: Accumulated Depreciation at June 30, 2004	<u>(1,717,952)</u>	1,894,129
Long-Term Liabilities at June 30, 2004		
Deferred Comp Payable	29,247	
Accrued Interest Payable	3,501	
Budgetary Loans Payable	900,000	
Lease Payable	17,072	
Installment Loan Payable	<u>6,015</u>	<u>(955,835)</u>
Net Assets at June 30, 2004 (Statement A)		<u>1,488,653</u>

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

Statement E

	<u>General Fund</u>	<u>Non-Major Inmate Commissary Funds</u>	<u>Total</u>
<u>REVENUES</u>			
Ad Valorem Taxes	1,458,065	0	1,458,065
Sales Taxes	409,559	0	409,559
Intergovernmental Revenues:			
Federal Grants	212,956	0	212,956
Local Grants	40,394	0	40,394
State Grants	371,205	0	371,205
State Revenue Sharing	235,491	0	235,491
Fees, Charges & Services:			
Licenses	33,212	0	33,212
Fines & Cost	301,397	0	301,397
Civil	215,699	0	215,699
Housing Prisoners	2,517,821	0	2,517,821
Use of Money - Interest Earnings	5,248	0	5,248
Other	<u>276,200</u>	<u>244,915</u>	<u>521,115</u>
<u>TOTAL REVENUES</u>	<u>6,077,247</u>	<u>244,915</u>	<u>6,322,162</u>
<u>EXPENDITURES</u>			
Public Safety:			
Personal Services and Related Benefits	4,087,218	0	4,087,218
Operating Services	933,250	0	933,250
Materials and Supplies	852,298	0	852,298
Travel and Other Charges	239,364	253,376	492,740
Debt Service:			
Principal	1,429,277	0	1,429,277
Interest and Bank Charges	39,461	0	39,461
Capital Outlay	<u>32,450</u>	<u>0</u>	<u>32,450</u>
<u>TOTAL EXPENDITURES</u>	<u>7,613,318</u>	<u>253,376</u>	<u>7,866,694</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>			
<u>OVER EXPENDITURES</u>	(1,536,071)	(8,461)	(1,544,532)
<u>OTHER FINANCING SOURCES</u>			
Proceeds from Bank Loan	1,773,550	0	1,773,550
Increase in Capital Leases	<u>0</u>	<u>0</u>	<u>0</u>
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>1,773,550</u>	<u>0</u>	<u>1,773,550</u>
<u>EXCESS OF REVENUES AND OTHER SOURCES</u>			
<u>OVER EXPENDITURES</u>	237,479	(8,461)	229,018
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>264,426</u>	<u>56,915</u>	<u>321,341</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>501,905</u>	<u>48,454</u>	<u>550,359</u>

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Statement F

Total Net Change in Fund Balances (Statement E)	229,018
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in government funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay for the periods.	(92,774)
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Interest on long-term debt in Statement A differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(3,501)
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Additional loan proceeds is another financing source in the governmental funds, but the loans increase long-term liabilities in the Statement of Net Assets.	(1,773,550)
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Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,419,992
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Repayment of lease principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	9,285
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In the Statement of Activities, certain operating expenses - Comp Time - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(7,825)
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Change in Net Assets of Governmental Activities (Statement B)	<u>(219,355)</u>
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See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
JUNE 30, 2004

Statement G

	<u>Sheriff's Fund</u>	<u>Inmate Trust Fund</u>	<u>Tax Collector Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	<u>314,266</u>	<u>46,821</u>	<u>496,186</u>	<u>857,273</u>
<u>LIABILITIES</u>				
Due to Taxing Bodies and Others	<u>314,266</u>	<u>46,821</u>	<u>496,186</u>	<u>857,273</u>

See Notes to Financial Statements

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

INTRODUCTION

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Sheriff's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Sheriff's activities.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. REPORTING ENTITY

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the sheriff includes all funds, account groups, activities, etc., that are controlled by the sheriff as an independently elected parish official. As an independently elected parish official, the sheriff is solely responsible for the operations of his office, which include the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the sheriff's office that are paid by the parish police jury as required by Louisiana law, *the sheriff is financially independent. Accordingly, the sheriff is a separate governmental reporting entity.* Certain units of local government over which the sheriff exercises no oversight responsibility, such as the parish police jury, parish school board, other independently elected parish officials, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the parish sheriff.

C. BASIC FINANCIAL STATEMENTS - GOVERNMENT - WIDE STATEMENTS

The sheriff's basic financial statements include both government-wide (reporting the sheriff as a whole) and fund financial statements (reporting the sheriff's major fund). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. All activities of the sheriff are classified as governmental.

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the sheriff, except for fiduciary funds. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

In the Statement of Net Assets, governmental activities are presented on a consolidated basis and are presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. Net assets are reported in three parts; invested in capital assets, net of any related debt; restricted net assets; and unrestricted net assets.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the sheriff's taxpayers or citizenry. Program revenues reduce the cost of the function to be financed from the sheriff's general revenues.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

C. BASIC FINANCIAL STATEMENTS - GOVERNMENT - WIDE STATEMENTS - Continued

Allocation of Indirect Expenses - The sheriff reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the sheriff are reported in individual funds in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Fund financial statements report detailed information about the sheriff. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The sheriff's current operations require the use of only governmental and fiduciary funds. The governmental and fiduciary fund types used by the sheriff are described as follows:

Government Fund Types

General Fund - The General Fund, as provided by Louisiana Revised Statute 13:781, is the principal fund of the sheriff and is used to account for the operations of the sheriff's office. The various fees and charges due to the sheriff's office are accounted for in this fund. General operating expenditures are paid from this fund.

Special Revenue Fund - The Inmate Commissary Fund is used to account for the proceeds of specific revenue sources such as sales to inmates. Those revenues are restricted to expenditures for specified purposes.

Fiduciary Fund Type - Agency Funds

The agency funds are used as depositories for civil suits, cash bonds, taxes, fees, et cetera. Disbursements from the funds are made to various parish agencies, litigants in suits, et cetera, in the manner prescribed by law. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

E. 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 measurement made regardless of the measurement focus applied.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

E. BASIS OF ACCOUNTING - Continued

5. Accrual:

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

6. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Revenues

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

Intergovernmental revenues and fees, charges, and commissions for services are recorded when the sheriff is entitled to the funds.

Interest income on time and demand deposits is recorded when the time deposits have matured and the income is available.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

E. BASIS OF ACCOUNTING - Continued

Substantially all other revenues are recognized when received by the sheriff.

Based on the above criteria, intergovernmental revenue and fees, charges, and commissions for services are treated as susceptible to accrual.

Expenditures

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

F. SALES TAX

The voters of Vernon Parish approved a one-half percent (½%) sales tax effective April 1, 2004, dedicated for the purpose of providing additional funding for the law enforcement district. The tax is perpetual. The Vernon Parish School Board collects the tax and remits to the Sheriff. For this service the Sheriff pays a pro-rate share of administrative expense of the tax collection.

G. ENCUMBRANCES

Encumbrance accounting is not used in the sheriff's operations.

H. CASH AND CASH EQUIVALENTS

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

I. INVENTORY

Inventory at June 30, 2004, consists of commissary items purchased during preceding months. Inventory items are valued at unit prices established by purchase prices paid for purchased items. Amounts are recorded as expenditures under the consumption method using the First-In, First-Out (FIFO) cost flow assumption.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

J. 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 sheriff maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the sheriff, 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:

<u>Depreciation</u>	<u>Estimated Lives</u>
Vehicles	5 Years
Furniture & Fixtures	10-20 Years
Buildings	40 Years

K. RISK MANAGEMENT

The sheriff's office is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Louisiana law provides that the sheriff may join with other sheriffs to form an interlocal risk management agency for the development and administration of an interlocal risk management program. The Vernon Parish Sheriff has joined together with other sheriffs to form the Louisiana Sheriff's Risk Management Program, a public entity risk pool currently operating as a common risk management and insurance program for Louisiana sheriffs. The sheriff pays an annual premium to the pool for its general and professional liability insurance coverage.

The agreement for formation of the Louisiana Sheriff's Risk Management Program, administered by the Louisiana Sheriff's Association, provides for the pool to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$3,000,000 for each insured event. The sheriff estimates the range of contingent losses, if any, to be borne by the government will not exceed the available insurance coverage.

The Louisiana Sheriff's Risk Management Program has published its own financial report which can be obtained from the Louisiana Sheriff's Association, 1175 Nicholson Drive, Baton Rouge, La 70804.

In addition to the above, the sheriff has obtained commercial insurance for all the aforementioned risks and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

L. COMPENSATED ABSENCES

Full-time deputies of the sheriff's office, depending on length of service, earn from 5 to 20 days of vacation and sick leave each year. Vacation leave must be taken in the year earned. Accumulated sick leave is not paid upon termination of employment. At June 30, 2004, there are no accumulated and vested benefits relating to vacation and sick leave that require disclosure or accrual to conform with generally accepted accounting principles.

Comp. time is earned for overtime hours worked. The comp time is calculated based on 1 ½ time of hourly rate (including supplemental pay). Comp time is taken by time off, however, comp time earned and accrued is paid upon termination of the employee. Comp time earned in excess of 480 hours must be paid to the employee.

The comp time is measured by any amounts actually paid in the government funds.

The comp time is measured when actually earned in the government-wide statements and comp time earned and not paid is recorded as a liability.

Comp time earned and accrued at June 30, 2004 totaled \$29,247.

M. BAD DEBTS

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles. Management feels all receivables at year end are collectable and no allowance for bad debts is necessary.

N. ESTIMATES

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - LEVIED TAXES

Act 689 of the regular session of the Louisiana Legislature of 1976 provided initial financing authorization for the levy of an ad valorem tax millage for the law enforcement district. Voters of the district subsequently approved an increase in the ad valorem tax beyond initial authorization. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized</u> <u>Expiration</u>	<u>Levied</u> <u>Millage</u>	<u>Millage</u>
Law Enforcement District	Indefinite	10.94	10.94
Law Enforcement District	2010	7.00	7.00

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 - CASH AND CASH EQUIVALENTS

For the purpose of these financial statements, the sheriff considers cash and cash equivalents to be amounts held in demand deposits, interest bearing demand deposits, and time deposits.

At June 30, 2004 the sheriff has cash and cash equivalents (book balances) totaling \$1,201,167 as follows:

	<u>Statement of Net Assets</u>	<u>Statement of Fiduciary Net Assets</u>	<u>Total</u>
Petty Cash	2,400	0	2,400
Demand Deposits	<u>341,494</u>	<u>857,273</u>	<u>1,198,767</u>
<u>TOTAL</u>	<u>343,894</u>	<u>857,273</u>	<u>1,201,167</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the sheriff has \$1,524,752 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$1,324,752 of 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, Louisiana Revised Statute 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 sheriff that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - RECEIVABLES

The receivables at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Sales Tax	100,000	0	100,000
Ad Valorem Taxes	2,444	0	2,444
Fees, Charges, and Commissions for Services	2,444	0	2,444
Civil and Criminal Fees	22,269	0	22,269
Feeding and Keeping of Prisoners	166,802	0	166,802
Other	<u>73</u>	<u>0</u>	<u>73</u>
<u>TOTAL</u>	<u>294,032</u>	<u>0</u>	<u>294,032</u>

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 follows:

	<u>Balance</u> <u>June 30,</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2004</u>
<u>Capital Assets</u>				
Vehicles	821,835	32,450	5,800	848,485
Furniture & Equipment	254,043	0	0	254,043
Buildings	2,380,163	0	0	2,380,163
Land	<u>129,390</u>	<u>0</u>	<u>0</u>	<u>129,390</u>
	<u>3,585,431</u>	<u>32,450</u>	<u>5,800</u>	<u>3,612,081</u>
<u>Accumulated Depreciation</u>				
Vehicles	723,355	51,093	5,800	768,648
Furniture & Equipment	169,253	13,539	0	182,792
Buildings	<u>705,920</u>	<u>60,592</u>	<u>0</u>	<u>766,512</u>
	<u>1,598,528</u>	<u>125,224</u>	<u>5,800</u>	<u>1,717,952</u>
<u>Net Capital Assets</u>	<u>1,986,903</u>	<u>(92,774)</u>	<u>0</u>	<u>1,894,129</u>

The capital asset balance at June 30, 2003, has been restated to include accumulated depreciation in accordance with GASB Statement No. 34.

NOTE 6 - PENSION PLAN

Substantially all employees of the Vernon Parish Sheriff's office are members of the Louisiana Sheriffs Pension and Relief Fund (the System), a multiple-employer (cost sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. All sheriffs and deputies who are found to be physically fit, earn at least 400 per month, and who were at least 18 years of age at the time of original employment are required to participate in the System. Employees are eligible to retire at or after age 55 with at least 12 years of credited service and receive a benefit, payable monthly for life, equal to percentage of their final-average salary for each year of credited service. Final - average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination as indicated previously. Employees who terminate with at least 20 years of credited service are also eligible to elect early benefits between ages 50 and 55 with reduced benefits equal to the actuarial equivalent of the benefit to which they would otherwise be entitled at age 55. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Sheriffs' Pension and Relief Fund, 6554 Florida Boulevard, Suite 215, Baton Rouge, Louisiana 70806, or by calling (800) 586-9049.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - PENSION PLAN - Continued

Plan members are required by state statute to contribute 9.8 percent of their annual covered salary and the Vernon Parish Sheriff is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and funds as required and available from insurance premium taxes. The contribution requirements of plan members and the Vernon Parish Sheriff are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Vernon Parish Sheriff's contributions to the System for the years ended June 30, 2004, 2003, and 2002 were \$261,544, \$194,844, and \$176,271, respectively, equal to the required contributions for each year.

NOTE 7 - POSTEMPLOYMENT BENEFITS

As required by Louisiana Revised Statutes, the Sheriff provides certain continuing health care and life insurance benefits for certain retired employees through the Sheriff's group insurance plan. Retired employees are eligible for these benefits if they reach required years of service and age 55. The Sheriff recognizes the cost of providing these benefits (the Sheriff's portion of premiums) as expenditures when the monthly premiums are due. The cost of retiree benefits totaled \$65,347 for the year ended June 30, 2004.

NOTE 8 - CHANGES IN AGENCY FUNDS

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

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Agency Funds:				
Sheriff's	372,915	3,089,479	3,148,128	314,266
Tax Collector	351,725	10,560,942	10,416,481	496,186
Inmate Trust	<u>31,889</u>	<u>489,605</u>	<u>474,673</u>	<u>46,821</u>
TOTAL	<u>756,529</u>	<u>14,140,026</u>	<u>14,039,282</u>	<u>857,273</u>

NOTE 9 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2004:

	<u>Bank</u> <u>Budgetary</u> <u>Loans</u>	<u>Installment</u> <u>Loans</u>	<u>Total</u>
Long-term Obligations at July 1, 2003	550,000	28,814	578,814
Additions	1,750,000	23,550	1,773,550
Deductions	<u>1,400,000</u>	<u>29,277</u>	<u>1,429,277</u>
Long-term Obligations at June 30, 2004	<u>900,000</u>	<u>23,087</u>	<u>923,087</u>

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 9 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS - Continued

The \$900,000 in bank budgetary loans are comprised of the following:

Loan dated 4-23-04, due 1-15-05 plus interest at 4.5%, collateralized by all bank deposits owned or acquired.	250,000
Loan dated 6-11-04, due 3-1-05 plus interest at 4.5% collateralized by all bank deposits owned or acquired.	<u>650,000</u>
	<u>900,000</u>

The following summarizes lease commitments at June 30, 2004:

<u>Present Value of Lease Payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
<u>17,072</u>	<u>753</u>	<u>17,828</u>

Future minimum capital lease payments are as follows:

Year Ended June 30, 2005	11,236
Year Ended June 30, 2006	<u>6,589</u>
	17,825
Less Interest	<u>(753)</u>
Present Value	<u>17,072</u>

Installment Loan Summary:

Financed three vehicles 9-17-03	23,550
Collateralized by vehicles due in monthly installments of \$2,023.46 which includes interest at 5.5%.	
Current Payment	<u>17,535</u>
Payment Due Year Ended June 30, 2005	<u>6,015</u>

NOTE 10 - TAXES PAID UNDER PROTEST

Louisiana Revised Statute 47:1576 provides that taxpayers, at the time of payment of all taxes due, give notice to the tax collector of their intention to file suit for recovery of all or a portion of the total taxes paid. Upon receipt of this notice, the amount paid is segregated and held by the tax collector for a period of 30 days. If suit is filed within the 30-day period for recovery of such amounts, the funds are held pending outcome of the suit. If the taxpayer prevails, the tax collector refunds the amount due, with interest at the rate of 2 percent per annum from the date the funds were received by the tax collector. The following is a summary of changes in the taxes paid under protest as recorded in the Tax Collector Agency Fund:

Balance, June 30, 2003	293,244
Additions:	
Taxes	71,212
Interest	1,838
Settlements to Taxing Bodies and Others	<u>(12,479)</u>
Balance, June 30, 2004	<u>353,815</u>

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 - FEDERAL FINANCIAL ASSISTANCE

The sheriff participated in the following federal assistance programs during the year ended June 30, 2004.

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Expenditures</u>
<u>United States Department of Justice</u>			
Passed through Louisiana Division of Administration through Louisiana Commission on Law Enforcement and Administration of Criminal Justice - Narcotics			
Drug Task Force	16.579	00-3-0-15	11,355
Block Grant	16.592	N/A	28,477
DARE Grant	16.579	E02-3-006	45,032
Violence Against Women	16.588	M01-3-003	12,635
Community Oriented Policing Service	16.579	97UMWX058	<u>38,895</u>
			<u>136,394</u>

NOTE 12 - ON - BEHALF PAYMENTS

The Sheriff's office is located in the parish courthouse annex. Expenditures for operation and maintenance of the courthouse annex, as required by Louisiana Revised Statute 33:4715, are paid by the Vernon Parish Police Jury.

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Sheriff's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and governmental fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Non major funds are presented in total in one column.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

	<u>Governmental Funds</u>
Fund Balances, June 30, 2003	
As originally presented	321,341
GASB Statement No. 34 Adjustment:	
Capital asset, net	1,986,903
Long-term Liabilities	<u>600,236</u>
Governmental Activities Net Assets, June 30, 2003	<u>1,708,008</u>

NOTE 14 - LITIGATION AND CLAIMS

At June 30, 2004, the sheriff is involved in several lawsuits seeking liabilities damages. Legal council anticipates an approximate 70% or better chance of a favorable outcome in all suits however, an unfavorable outcome of all lawsuits could approximate a liability in the range of \$1,390,500 - \$2,247,000. Liability insurance coverage carried by the sheriff totals \$1,900,000 in the aggregate.

REQUIRED SUPPLEMENTAL INFORMATION
PART II

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Taxes - Ad Valorem	1,436,000	1,462,000	1,458,065	(3,935)
Taxes - Sales	0	160,000	409,559	249,559
Intergovernmental Revenues:				
Federal Grants	82,300	155,200	212,956	57,756
Local Grants	22,200	19,300	40,394	21,094
State Grants	336,500	339,900	371,205	31,305
State Revenue Sharing	237,000	235,500	235,491	(9)
Fees, Charges & Services				
Licenses	25,200	32,100	33,212	1,112
Fines & Costs	308,900	325,200	301,397	(23,803)
Civil	246,000	199,800	215,699	15,899
Housing Prisoners	2,318,000	2,475,000	2,517,821	42,821
Use of Money - Interest Earnings	5,000	5,000	5,248	248
Other	<u>181,100</u>	<u>439,300</u>	<u>521,115</u>	<u>81,815</u>
<u>TOTAL REVENUES</u>	<u>5,198,200</u>	<u>5,848,300</u>	<u>6,322,162</u>	<u>473,862</u>

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1 Continued

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<u>EXPENDITURES</u>				
Public Safety				
Personal Services & Related Benefits	3,773,531	4,035,700	4,087,218	(51,518)
Operating Services	701,960	783,800	933,250	(149,450)
Materials and Supplies	651,700	809,400	852,298	(42,898)
Travel and Other Charges	36,000	464,200	492,740	(28,540)
Debt Service				
Principal & Interest	933,200	1,557,500	1,468,738	88,762
Capital Outlay	<u>0</u>	<u>32,400</u>	<u>32,450</u>	<u>(50)</u>
<u>TOTAL EXPENDITURES</u>	<u>6,096,391</u>	<u>7,683,000</u>	<u>7,866,694</u>	<u>(183,694)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>(898,191)</u>	<u>(1,834,700)</u>	<u>(1,544,532)</u>	<u>290,168</u>
<u>OTHER FINANCING SOURCES</u>				
Proceeds from Bank Loans	<u>910,000</u>	<u>1,836,700</u>	<u>1,773,550</u>	<u>(63,150)</u>
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>910,000</u>	<u>1,836,700</u>	<u>1,773,550</u>	<u>(63,150)</u>
<u>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</u>	11,809	2,000	229,018	227,018
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>321,341</u>	<u>321,341</u>	<u>321,341</u>	<u>0</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>333,150</u>	<u>323,341</u>	<u>550,359</u>	<u>227,018</u>

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 2

A proposed budget, prepared on the modified accrual basis of accounting, is published in the official journal at least ten days prior to the public hearing. A public hearing is held at the Vernon Parish Sheriff's office during the month of June for comments from taxpayers. The budget is then legally adopted by the sheriff and amended during the year, as necessary. The budget is established and controlled by the sheriff at the object level of expenditure. Appropriations lapse at year end and must be reappropriated for the following year to be expended.

Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying budgetary comparison schedule include the original adopted budget amounts and all subsequent amendments.

OTHER SUPPLEMENTARY INFORMATION

PART III

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2004

FIDUCIARY FUND TYPE - AGENCY FUNDS

Sheriff's Fund - accounts for funds held in civil suits, sheriff's sales, and garnishments. It also accounts for collection of bonds, fines, and costs and payment of these collections to the recipients in accordance with applicable laws. The Sheriff's Fund is comprised of the Civil, Bond, Fines and Costs Funds, and the Probation Fund of the sheriff.

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

Inmate Fund - accounts for money deposited by various prison inmates while incarcerated by the sheriff. Withdrawals are made for purchased by the inmates. Remaining balances to the credit of a prisoner are refunded upon release or transfer to another prison.

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA
FIDUCIARY FUND TYPES - AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN BALANCES
DUE TO TAXING BODIES AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 3

	<u>Sheriff's Fund</u>	<u>Inmate Trust Fund</u>	<u>Tax Collector Fund</u>	<u>Total</u>
<u>BALANCES AT BEGINNING OF YEAR</u>	372,915	31,889	351,725	756,529
<u>ADDITIONS</u>				
Deposits:				
Bonds	53,962	0	0	53,962
Fines and Costs	2,115,622	0	0	2,115,622
Advance Deposits (Suits)	903,690	0	0	903,690
Taxes, Fees, Etc., Paid to				
Tax Collector	0	0	10,560,942	10,560,942
Interest Earned	2,552	0	0	2,552
Other Deposits	13,653	0	0	13,653
Inmate Deposits	<u>0</u>	<u>489,605</u>	<u>0</u>	<u>489,605</u>
<u>TOTAL ADDITIONS</u>	<u>3,089,479</u>	<u>489,605</u>	<u>10,560,942</u>	<u>14,140,026</u>
<u>TOTAL AVAILABLE</u>	<u>3,462,394</u>	<u>521,494</u>	<u>10,912,667</u>	<u>14,896,555</u>
<u>REDUCTIONS</u>				
Taxes, Fees, Etc., Distributed to Taxing Bodies and others	0	0	10,416,481	10,416,481
Deposits Settled to:				
Sheriff's General Fund	731,653	223,483	0	955,136
Police Jury	578,578	0	0	578,578
District Attorney	257,480	0	0	257,480
Clerk of Court	99,559	0	0	99,559
Indigent Defender Board	273,980	0	0	273,980
Attorneys, Appraisers, Etc.	9,850	0	0	9,850
Other Settlements	1,197,028	0	0	1,197,028
Withdrawals by/for Inmates	<u>0</u>	<u>251,190</u>	<u>0</u>	<u>251,190</u>
<u>TOTAL REDUCTIONS</u>	<u>3,148,128</u>	<u>474,673</u>	<u>10,416,481</u>	<u>14,039,282</u>
<u>BALANCES AT END OF YEAR</u>	<u>314,266</u>	<u>46,821</u>	<u>496,186</u>	<u>857,273</u>

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
PART IV**

**Independent Auditor's Report Required
by Government Auditing Standards**

The following independent auditor's report on compliance with laws, regulations and contracts, and internal control over financial reporting are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable John S. Craft
Vernon Parish Sheriff
Leesville, Louisiana

We have audited the basic financial statements of the Vernon Parish Sheriff, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 26, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Vernon Parish Sheriff's general-purpose 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vernon Parish Sheriff'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.

This report is intended solely for the information and use of the Vernon Parish Sheriff, management of the Sheriff's office, interested state agencies, and the Legislative Auditor of Louisiana and is not intended to be, and should not be used by anyone other than the specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marcus, Robinson & Hassell

Marcus, Robinson and Hassell
October 26, 2004

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA

Schedule 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Vernon Parish Sheriff.
2. No instances of noncompliance material to the financial statements of the Vernon Parish Sheriff were disclosed during the audit.
3. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

VERNON PARISH SHERIFF
LEESVILLE, LOUISIANA

Schedule 5

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

There were no audit findings reported in the audit for the year ended June 30, 2003.