

ST. MARY PARISH LIBRARY**FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2003**

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.

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Independent Auditor's Report

Board of Control
St. Mary Parish Library
Franklin, Louisiana

We have audited the accompanying financial statements of the St. Mary Parish Library, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Library officials. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Library, as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The St. Mary Parish Library, adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus: Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of January 1, 2003. This results in a change in the format and content of the financial statements.

Member of:
American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2004, on our consideration of the Library's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
April 14, 2004

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Mary Parish Library, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2003. Please read this in conjunction with the Library's financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The parish library's assets exceeded its liabilities by \$3,548,065 (net assets) for the calendar year reported.
- Total net assets are comprised of the following:
 - 1) Capital assets of \$1,781,921, which includes property, equipment and books, net of accumulated depreciation.
 - 2) Unrestricted net assets of \$1,766,144, which represents the portion available to maintain the parish library's continuing obligations to citizens and creditors.
- The parish library's governmental fund reported a total ending fund balance of \$1,766,144 this year. This compares to the prior year ending fund balance of \$ 1,701,873 showing an increase of \$64,271 during the current year. The total fund balance is unreserved.
- At the end of the current calendar year, unreserved fund balance for the General Fund was \$1,766,144 or 131 % of total General Fund expenditures.
- Overall, the parish library system continues to maintain a strong financial position, in spite of a somewhat depressed economy.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

INDEPENDENT AUDITOR'S REPORT

The first item in this financial report is the Independent Auditor's Report. This report informs the public as to what the auditor audited and whether the parish library has followed the accounting and financial reporting rules. The Independent Auditor's Report has given the parish library system what is commonly called a "clean opinion" for the year ending 2003. This report indicates that the parish library system is following the accounting rules, guidelines and procedures set forth in the prescribed financial statements and financial activities for the year ending December 31, 2003. The auditor's report is signed by the independent auditor and located in first section pages 1 and 2 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This Management's Discussion and Analysis section of the report introduces the parish library system's basic financial statements. The basic financial statements include: (1) St. Mary Parish Library Government-Wide Financial Statements, (2) Fund Financial statements, and (3) Notes to the Basic Financial Statements and (4) Other Information. The parish library system includes in the Notes to the Basic Financial Statements and Other Information additional information to supplement the basic financial statements such as required supplementary information and supplementary information.

Government-wide Financial Statements

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

The first is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all of the parish library system's assets and liabilities, with the difference reported as net assets. This report can serve as an indicator over time as to whether the financial position of the system is improving or deteriorating. The analysis of the system as a whole should include other non-financial factors such as a change in the taxpayer base that generates the parish's ad-valorem tax funds, other inter-governmental, interest income, state generated revenues, grants, donations, memorials, and/or e-rate funds.

The second is the Statement of Activities. This is the government-wide statement of the library system's net assets changed during the current calendar year. The total yearly revenues and expenses are included regardless of when the monies are received or paid. This statement provides a visual document that reports the financial reliance of the library system on revenues to support activities, program expenses, salaries and benefits, supplies, utilities, telephone, activities, culture / recreation and/or other functions as required by the state and local standards for a public library system.

The library system's government-wide financial statements are presented on pages 11 and 12 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The parish library system uses a single fund to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the library system's only fund, the general fund.

The parish library system uses only one fund type:

The governmental fund is reported in the fund financial statements and encompasses the same function reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the parish library system's governmental fund. These statements report short-term fiscal accountability at the end of the year and are useful in evaluating annual financial requirements of governmental programs. In addition, the statements are used to determine the commitment of spend-able resources for the near-term.

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

The basic governmental fund financial statements are presented on pages 13 and 14 of this report.

Notes to the Basic Financial Statements

The accompanying financial statements of the St. Mary Parish Library System provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 17.

Other Information

In addition to the basic financial statements and notes, this report presents certain required supplementary information concerning the system's budget presentation. The auditor reviews the budget in detail to insure its accuracy. This statement demonstrates compliance with the system's adopted and final revised budget.

FINANCIAL ANALYSIS OF THE ST. MARY PARISH LIBRARY AS A WHOLE

The Library implemented the new financial reporting model used in this report beginning with the calendar year ended December 31, 2003. Over time, the year-to-year financial statements and other information collected will serve as documentation to the financial position of the system as a whole.

A condensed version of the St. Mary Parish Library System's statement of net assets at December 31, 2003 is below

Condensed Statement of Net Assets
December 31, 2003

		Percentage of Total
Current and other assets	\$ 1,876,544	51%
Capital assets, net of accumulated depreciation	<u>1,781,921</u>	<u>49%</u>
Total assets	<u>\$ 3,658,465</u>	<u>100%</u>
Current liabilities	<u>\$ 110,400</u>	<u>100%</u>
Net assets:		
Invested in capital assets	1,781,921	50%
Unrestricted	<u>1,766,144</u>	<u>50%</u>
Total net assets	<u>3,548,065</u>	<u>100%</u>
Total liabilities and net assets	<u>\$ 3,658,465</u>	

The Library reported a positive balance in net assets for its governmental activities. Net assets increased by \$35,403 or approximately 1%. Please note that approximately 50% of the governmental activities net assets are tied up in capital assets. The system uses these capital assets to provide services and resources to its citizens.

The system does not have comparative data for presentation since this is the first year in which government-wide information is available to the system. Beginning with the year 2003, a method to collect financial data for comparative purposes will be accumulated and presented yearly. This process will assist with the analysis of the system's finances for future years.

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

Condensed Statement of Activities
For the year ended December 31, 2003

		Percent of Total
Revenues:		
Program:		
Charges for services	\$ 5,514	0%
Operating grants and contributions	24,461	2%
General Revenues:		
Ad valorem taxes	1,274,607	90%
Intergovernmental	80,965	6%
Interest income	14,050	1%
Miscellaneous	11,937	1%
Total revenues	1,411,534	100%
Expenses:		
Governmental Activities		
General government	41,931	3%
Culture and recreation	1,334,200	97%
Total expenses	1,376,131	100%
Increase in net assets	35,403	
Net assets - beginning of year	3,512,662	
Net assets - end of year	\$ 3,548,065	

GOVERNMENTAL FUNCTIONAL REVENUES

The Library relies heavily on property taxes to support its operations. Ninety-one percent of all revenues that the Library receives are from ad valorem taxes. Intergovernmental revenues, which include state revenue sharing funds, constituted 6% of revenues. Investments generated another \$14,050 or 1% of general revenues.

GOVERNMENTAL FUNCTIONAL EXPENSES

The majority of the Library's functional expenditures are for culture and recreation, making up 97% of all expenditures incurred. The St. Mary Parish Library System is comprised of six branches. Headquarters staff and administration uses about 44 % of the budget for employee salaries and benefits. The state's 2003 operating expenditures data indicated that libraries budget an average of 56 % for salaries. The figures allocated for the 2003 budget for employee salaries and benefits for the St. Mary Parish Library were below the state's reported averages. However, the system has employed additional staff with college degrees and/or technical certification during the 2003 fiscal year thereby causing salaries and benefits to comprise the majority of budgeted expenditures for 2003.

One area in which librarians maintain local control is in choosing a mix of library resources that best reflects the needs of the intended users within the branch locations. In addition, the library must meet the state library standards requirements for library resources. The system began to increase the revenues allocated to purchasing resources during the 2003 year. These resources include books, rental books, paperbacks, furniture, and technology equipment.

FINANCIAL ANALYSIS OF THE PARISH LIBRARY'S GENERAL FUND

The general fund is the Library's operating fund. As discussed, the general fund is reported in the fund statements with a short-term inflow and outflow of spendable resources focus. The data presented in the fund financial statements is presented on the modified accrual basis. This means that capital assets purchased during the year are reported as expenditures and no depreciation on these capital assets is reported as an expenditure in the same year.

The total ending general fund's fund balance is \$1,766,144, an increase of \$64,271 or approximately 3% over the prior year. Key factors contributing to this increase are expenditures below expectations and continued efforts to control operating expenses. The total amount is unreserved indicating availability for continuing Library service requirements.

The general fund's ending fund balance is considered adequate, representing the equivalent of 131% of annual general fund expenditures. This percentage is necessary for the Library to maintain a strong financial position in order to cover its cash flow needs and any unforeseen future costs that might occur.

BUDGETARY HIGHLIGHTS

GENERAL FUND

The actual budgeted revenue amounts collected are in a negative variance with the final budget by \$17,309 for the year 2003. The two major variances on the revenue side of the budget relate to the decrease in ad-valorem tax revenues and the State Revenue Sharing funds. In addition, the interest rates consistently decreased during the year; therefore interest income was not as high as expected. The increases were due to awards of monetary grants to the system along with a small increase in donations and memorials.

The actual budgeted expenditures were in a positive variance of \$7,807 for the 2003 year. The main contributors were furniture and equipment which were over budgeted by \$17,224; supplies, which were over budgeted by \$7,548 and utilities and telephone expenses, which were over budgeted by \$3,921.

CAPITAL ASSETS

The Library's investment in capital assets as of December 31, 2003 amounts to \$1,781,921 (net of accumulated depreciation). This investment includes books, buildings and improvements and equipment and furniture of the library system. The total percentage increase in the Library's investment in capital assets for the current year was approximately 4%.

Additional information on the Library's capital assets can be found in Note 5 on page 22 of this report.

LONG TERM PLANNING

The Library's main source for revenue is the parish library property taxes. This type of tax is not subject to changes in the economy in the short-term. However, in the long-term, property tax revenue does suffer if the economy does not maintain growth. At the present, the terrorist attacks of September 11, 2001 has had a negative impact on the economy. Each year, the Library's financial committee evaluates the previous year's budgets before recommending the new fiscal year budget. At that time, the committee makes recommendations for long-term financial planning.

RETIREMENT COMMITMENTS

All full-time employees of the Library participate in the Parochial Employees Retirement System of Louisiana (Plan A). This system is a multiple employer public retirement system (PERS) and is controlled and administered by a separate board of trustees. Pertinent information relative to this plan follows:

Plan members are required to contribute 9.5% of their annual covered salary to the system while the Library is required to contribute the statutory rate of 7.75% of the total annual covered salary.

A publicly available report that includes financial statements and required supplemental financial information may be obtained by writing the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

BOARD OF CONTROL

Members of the St. Mary Parish Library Board of Control at December 31, 2003 are as follows:

Mrs. Renee Vanover, Chair
Mr. Roger Busbice, Chair-elect
Mr. Don T. Caffery, Jr.
Mr. Russell Cremaldi
Mrs. Glenna Kramer
Mr. Peter Lipari
Mrs. Karla Vappie
Mr. Murphy Pontiff

RISK MANAGEMENT

The Library is exposed to various risk of loss to torts, theft of damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The Library has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Library is insured up to policy limits for each of the above risks. There were no significant changes in coverage during the year ending December 31, 2003.

ECONOMIC CONDITIONS AFFECTING THE ST. MARY PARISH LIBRARY SYSTEM

The St. Mary Parish Library System's primary revenues are from ad-valorem taxes, which are usually not subject to changes in the economy in the short-term. However, the ad-valorem tax base can change over a long-term and the revenues may fluctuate if the parish does not maintain or grow in the area of ad-valorem revenue. Obviously, the national trend affects us locally. The state of Louisiana is not immune to the impact of national trends.

The following table represents the taxing districts of the parish that collect millage revenues to support the parish library system with branches in Amelia, Baldwin, Bayou Vista, Berwick, Franklin, and Patterson. The administrative headquarters is located in Franklin, the parish seat as per state statutes. Notice in the table on the following page that the population of St. Mary Parish decreased approximately 8% in the ten years from 1990 to 2000. This change has a very direct affect on the ad valorem revenue base.

Population Estimates			
	1990 Census	2000 Census	% Change
St Mary Parish	58,086	53,500	(-7.9)
Amelia	2,447	2,423	(-1.0)
Baldwin	2,379	2,497	5.0
Bayou Vista	4,733	4,351	(-8.1)
Berwick	4,375	4,418	1.0
Charenton	1,584	1,944	22.7
Franklin	9,004	8,354	(-7.2)
Morgan City	14,531	12,703	(-12.6)
Patterson	4,376	5,130	8.3
Data from La Population Data Center			

CONTACTING THE ST. MARY PARISH LIBRARY SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Parish Library System's finances, accountability, and compliance with financial laws and regulations. The St. Mary Parish Library director, Kathleen C. Prados, 206 Iberia Street, Franklin, LA 70538 responds to all questions concerning this report.

ST. MARY PARISH LIBRARY

Statement of Net Assets
December 31, 2003

ASSETS

Current assets:

Cash	\$ 364,211
Interest-bearing deposits, at cost	239,586
Receivables (net of allowance for uncollectibles):	
Ad valorem taxes	1,235,761
Accrued interest	629
Other	381
Due from other governmental unit	<u>35,976</u>
Total current assets	<u>1,876,544</u>

Capital assets:

Books	1,418,984
Buildings and improvements	1,674,673
Equipment and furniture	665,042
Net of accumulated depreciation	<u>(1,976,778)</u>

 Total capital assets, net of accumulated depreciation 1,781,921

 Total assets \$ 3,658,465

LIABILITIES

Current liabilities:

Accounts payable	\$ 14,140
Accrued liabilities	54,329
Due to other governmental unit	<u>41,931</u>

 Total liabilities 110,400

NET ASSETS

Invested in capital assets	1,781,921
Unrestricted	<u>1,766,144</u>

 Total net assets 3,548,065

 Total liabilities and net assets \$ 3,658,465

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Statement of Activities
Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 41,931	\$ -	\$ -	\$ (41,931)
Culture and recreation	<u>1,334,200</u>	<u>5,514</u>	<u>24,461</u>	<u>(1,304,225)</u>
Total governmental activities	<u>1,376,131</u>	<u>5,514</u>	<u>24,461</u>	<u>(1,346,156)</u>
General Revenues:				
Ad valorem taxes				1,274,607
State revenue sharing				53,965
Other intergovernmental				27,000
Interest income				14,050
Miscellaneous				<u>11,937</u>
Total general revenues				<u>1,381,559</u>
Change in net assets				35,403
Net assets -- beginning				<u>3,512,662</u>
Net assets -- end				<u>\$ 3,548,065</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Balance Sheet
Governmental Fund
December 31, 2003

	<u>General Fund</u>
ASSETS	
Cash	\$ 364,211
Interest-bearing deposits, at cost	239,586
Receivables -	
Ad valorem taxes	1,235,761
Accrued interest	629
Other	381
Due from other governmental unit	<u>35,976</u>
Total assets	<u>\$ 1,876,544</u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	\$ 14,140
Accrued liabilities	54,329
Due to other governmental unit	<u>41,931</u>
Total liabilities	<u>110,400</u>
Fund balance:	
Unreserved	<u>1,766,144</u>
Total fund balance	1,766,144
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
	<u>1,781,921</u>
Net assets of governmental activities	<u>\$ 3,548,065</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Fund
 Year Ended December 31, 2003

	<u>General Fund</u>
Revenues:	
Taxes	\$ 1,274,607
Intergovernmental:	
State revenue sharing	53,965
Other	27,000
Miscellaneous:	
Interest income	14,050
Other sources	<u>41,912</u>
Total revenues	<u>1,411,534</u>
Expenditures:	
Current -	
General government:	
Administrative	
Sheriff's fee	41,931
Culture and recreation:	
Salaries and wages	594,565
Retirement contributions	50,055
Group insurance	34,700
Utilities and telephone	72,079
Professional fees	9,365
Advertising, dues and subscriptions	1,868
Equipment rentals	18,333
General insurance	45,707
Unemployment	1,258
Travel	22,365
Supplies	55,302
Repairs and maintenance	44,894
Miscellaneous	10,228
Rental books and paperbacks	57,659
Uniforms	3,650
Capital outlay-	
Culture and recreation:	
Books	170,028
Furniture and equipment	<u>113,276</u>
Total expenditures	<u>1,347,263</u>
Excess of revenues over expenditures	<u>64,271</u>
Fund balance, beginning	<u>1,701,873</u>
Fund balance, ending	<u>\$ 1,766,144</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Changes in Fund Balance of Governmental Funds to the
Statement of Activities

Year Ended December 31, 2003

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances - governmental funds \$ 64,271

Governmental funds report capital outlays as expenditures,
however, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount
by which depreciation expense exceeded capital outlay
in the current period

(28,868)

Change in net assets of governmental activities \$ 35,403

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

General Fund
Budgetary Comparison Schedule
Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes-ad valorem	\$ 1,227,377	\$ 1,295,181	\$ 1,274,607	\$ (20,574)
Intergovernmental:				
State revenue sharing	53,000	55,439	53,965	(1,474)
Other	27,100	27,000	27,000	-
Miscellaneous:				
Interest	11,000	10,120	14,050	3,930
Other sources	47,165	41,103	41,912	809
Total revenues	<u>1,365,642</u>	<u>1,428,843</u>	<u>1,411,534</u>	<u>(17,309)</u>
Expenditures:				
Current -				
General government:				
Administrative				
Sheriff's fee	36,000	41,000	41,931	(931)
Culture and recreation:				
Salaries and wages	570,000	590,000	594,565	(4,565)
Retirement contributions	44,500	49,200	50,055	(855)
Group insurance	18,500	35,000	34,700	300
Utilities and telephone	85,000	76,000	72,079	3,921
Professional fees	8,700	9,800	9,365	435
Advertising, dues and subscriptions	1,300	1,700	1,868	(168)
Equipment rentals	18,000	16,300	18,333	(2,033)
General insurance	43,510	46,610	45,707	903
Unemployment	1,350	1,350	1,258	92
Travel	15,000	18,000	22,365	(4,365)
Supplies	58,800	62,850	55,302	7,548
Repairs and maintenance	60,260	43,960	44,894	(934)
Miscellaneous	15,225	15,200	10,228	4,972
Rental books and paperbacks	52,000	52,600	57,659	(5,059)
Uniforms	2,500	4,000	3,650	350
Capital outlay -				
Books	90,000	161,000	170,028	(9,028)
Furniture and equipment	39,000	130,500	113,276	17,224
Total expenditures	<u>1,159,645</u>	<u>1,355,070</u>	<u>1,347,263</u>	<u>7,807</u>
Excess of revenues over expenditures	<u>205,997</u>	<u>73,773</u>	<u>64,271</u>	<u>(9,502)</u>
Fund balance, beginning	<u>1,701,873</u>	<u>1,701,873</u>	<u>1,701,873</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,907,870</u>	<u>\$ 1,775,646</u>	<u>\$ 1,766,144</u>	<u>\$ (9,502)</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Library, which is a component unit of the St. Mary Parish Council, was created under Louisiana Revised Statute 25:211. The Library operates under a Board of Control. The purpose of the Library is to provide library facilities to residents within its boundaries.

The accounting and reporting policies of the St. Mary Parish Library conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Library's executive and legislative branches (the Board of Control). Control by or dependence on the Library was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

The Library is a component unit of the St. Mary Parish Council.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the government. Both the government-wide and fund financial statements categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Taxes and items not properly included among program revenues are reported as *general revenues*.

A separate financial statement is provided for the governmental fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which they are levied.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to the taxpayers. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, and interest on investments.

The Library has the following fund type:

Governmental Fund –

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

General Fund

The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Assets

All capital assets purchased or acquired with an original cost of \$1,000 for furniture and \$5,000 for equipment or building improvements or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives

Books	7 years
Buildings and improvements	20 - 40 years
Equipment and furniture	5 - 7 years

Long-term Liabilities

There are no long-term liabilities at December 31, 2003.

Budgetary Practices

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library's Director prepares a proposed budget and presents it to the Board of Control prior to ninety days before the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. Any changes in the proposed annual operating budget require a majority vote of the Board of Control.
5. No later than the last regular meeting of the fiscal year, the Board of Control enacts an ordinance to adopt the annual operating budget for the ensuing fiscal year.
6. The Library Director, under the direction of the Board of Control, has the authority to alter budget amounts.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budget appropriations lapse at year end.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

Compensated Absences

Employees earn annual vacation and sick leave at varying rates depending upon length of service. No liability has been accrued for compensated absences on the Library's financial statements due to immateriality.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library as an extension of formal budgetary integration in the funds.

Use of Estimates

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

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

The Library may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2003, the Library has cash and interest-bearing deposits (book balances) totaling \$603,797, as follows:

Demand deposits	\$ 364,211
Certificates of deposit	<u>239,586</u>
Total	<u>\$ 603,797</u>

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) at December 31, 2003, are secured as follows:

Bank balances	<u>\$ 626,410</u>
Federal deposit insurance	\$ 200,000
Pledged securities (Category 3)	<u>1,733,714</u>
Total federal insurance and pledged securities	<u>1,933,714</u>
Excess of federal insurance and securities pledged	<u>\$ 1,307,304</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Library's name. Even though the pledged securities are considered uncollateralized (Category 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 Library that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are billed to the taxpayers by the Assessor in October. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Taxes are budgeted and the revenue recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of St. Mary Parish and are collected by the Sheriff. The taxes are remitted to the St. Mary Parish Library net of deductions for Pension Fund Contributions.

For the year ended December 31, 2003, taxes of 5.72 mills were levied on property with net assessed valuations totaling \$270,957,059 and were dedicated to paying the administrative, operative and maintenance expenditures for the Library.

Total taxes levied during 2003 were \$1,549,874. Taxes receivable at December 31, 2003 of \$1,235,761 consists of \$1,264,640 of which 2.21 percent of taxes levied or \$28,879 is considered uncollectible.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 4 DUE FROM OTHER GOVERNMENTAL UNITS

The amount due from other governmental units at December 31, 2003 consisted of \$35,976 of State Revenue Sharing due from the State of Louisiana.

NOTE 5 CAPITAL ASSETS

The following presentation restates capital assets from the general fixed asset account group at December 31, 2003:

	Books	Buildings and Improvements	Equipment and Furniture	Total
Cost at December 31, 2002 (as reported in the general fixed asset account group)	\$ 1,661,550	\$ 1,652,154	\$ 979,291	\$ 4,292,995
Items below the established capitalization threshold for capital assets	<u>382,511</u>	<u>26,041</u>	<u>344,338</u>	<u>752,890</u>
Cost of capital assets as restated, December 31, 2002	<u>\$ 1,279,039</u>	<u>\$ 1,626,113</u>	<u>\$ 634,953</u>	<u>\$ 3,540,105</u>
Current year rollforward:				
	Books	Buildings and Improvements	Equipment and Furniture	Total
Cost at December 31, 2002	\$ 1,279,039	\$ 1,626,113	\$ 634,953	\$ 3,540,105
Additions	170,028	48,560	30,089	248,677
Deletions	<u>(30,083)</u>	<u>-</u>	<u>-</u>	<u>(30,083)</u>
Cost at December 31, 2003	<u>1,418,984</u>	<u>1,674,673</u>	<u>665,042</u>	<u>3,758,699</u>
Depreciation:				
Accumulated depreciation, December 31, 2002	1,066,660	186,150	441,878	1,694,688
Additions	198,658	41,309	72,206	312,173
Deletions	<u>(30,083)</u>	<u>-</u>	<u>-</u>	<u>(30,083)</u>
Accumulated depreciation, December 31, 2003	<u>1,235,235</u>	<u>227,459</u>	<u>514,084</u>	<u>1,976,778</u>
Capital assets, net of accumulated depreciation at December 31, 2003	<u>\$ 183,749</u>	<u>\$ 1,447,214</u>	<u>\$ 150,958</u>	<u>\$ 1,781,921</u>

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 6 RETIREMENT COMMITMENTS

Substantially all full-time employees of the St. Mary Parish Library participate in the Parochial Employees' Retirement System of Louisiana (Plan A). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees. Pertinent information relative to this plan follows:

Parochial Employees' Retirement System

Plan members are required to contribute 9.50 percent of their annual covered salary to the system while the Library is required to contribute the statutory rate of 7.75 percent of the total annual covered salary. The Library's contributions to the system for years ended December 31, 2003, 2002, and 2001 were \$39,067, \$34,243, and \$39,788 respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619.

NOTE 7 BOARD OF CONTROL

Members of the St. Mary Parish Library Board of Control at December 31, 2003 are as follows:

Russell Cremaldi
Peter Lipari
Glenna Kramer
Don T. Caffery, Jr.
Karla Vappie
Renee Vanover
Roger Busbice
Murphy Pontiff

No compensation was paid to these individuals during the year.

NOTE 8 LITIGATION AND CLAIMS

There were no litigation or claims pending against the St. Mary Parish Library at December 31, 2003.

ST. MARY PARISH LIBRARY

Notes to the Financial Statements

NOTE 9 OPERATING LEASES

The library leases office equipment under noncancelable operating leases. Total costs for such leases were \$2,438 for the year ended December 31, 2003. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2004	<u>\$ 2,438</u>

NOTE 10 RISK MANAGEMENT

The Library is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Library is insured up to policy limits for each of the above risks. There were no significant changes in coverage's, retentions, or limits during the year ended December 31, 2003. Settled claims have not exceeded the commercial coverage's in any of the previous three fiscal years.

NOTE 11 CHANGES IN ACCOUNTING PRINCIPLES

The St. Mary Parish Library adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of January 1, 2003. This results in a change in the format and content of the basic financial statements.

**INTERNAL CONTROL AND
COMPLIANCE**



(A Corporation of Certified Public Accountants)

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

Board of Control
St. Mary Parish Library
Franklin, Louisiana

We have audited the financial statements of the St. Mary Parish Library, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2003, and have issued our report thereon dated April 14, 2004. We have 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 St. Mary Parish Library'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Library'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. However, we noted a certain matter involving the internal control over reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the St. Mary Parish Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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

Eugene H. Darnall, CPA, Retired 1990
Paula D. Bihm, CPA Deceased 2002

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Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. Higginbotham, CPA
John P. Armato, CPA
Jennifer S. Ziegler, CPA, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

Erich G. Loewer, Jr. CPA

Kathleen T. Darnall, CPA
Erich G. Loewer, III, MTX CPA
Tamera T. Landry, CPA
Raegan D. Maggio, CPA
Barbara A. Clark, CPA
Monica F. Laverne, CPA
Lauren F. Verrett, CPA
Michelle B. Borrello, CPA
Jeremy C. Meaux, CPA
Kevin S. Young, CPA

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Society of Louisiana
Certified Public Accountants

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 employers in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described as 2003-1 is a material weakness.

This report is intended solely for the information and use of the St. Mary Parish Library Board of Control, management and others within the organization. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
April 14, 2004

ST. MARY PARISH LIBRARY

Summary of Schedule of Prior Year Findings
Year Ended December 31, 2003

- 2002-1 Finding: Inadequate Segregation of Accounting Functions
 Status: This finding is unresolved. See current year finding 2003-1.
- 2002-2 Finding: Violation of LA R.S. 42:7
 Status: This finding has been resolved.

ST. MARY PARISH LIBRARY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Part 1 : Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on the St. Mary Parish Library's financial statements as of and for the year ended December 31, 2003.

Reportable Condition – Financial Reporting

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2003-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

The results of our tests disclosed no instances of noncompliance, which are required to be reported under *Government Auditing Standards*.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended December 31, 2003.

Part 2: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

2003-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Library did not have segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH LIBRARY

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2003**

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2003, the St. Mary Parish Library, did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

ST. MARY PARISH LIBRARY

**Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 2003**

Response to Finding 2003-1:

No response is considered necessary.