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Rapides Parish Library

Component Unit Financial Report

Alexandria, Louisiana
December 31, 2003



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KNIGHT \diamond MASDEN

Certified Public Accountants

A PROFESSIONAL ACCOUNTING CORPORATION

Coan I. Knight, Jr., CPA
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John E. Theriot II, CPA

Associate:
Fredericka A. James, CPA

May 10, 2004

Independent Auditors' Report

The Board of Control
Rapides Parish Library
Alexandria, Louisiana

We have audited the accompanying general purpose financial statements of the Rapides Parish Library, a component unit of the Rapides Parish Police Jury in the State of Louisiana, as of December 31, 2003 and for the year then ended, as listed in the table of contents. The component unit general purpose financial statements are the responsibility of the Rapides Parish Library's management. Our responsibility is to express an opinion on these component unit general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 component unit general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Rapides Parish Library as of December 31, 2003 and the results of its operations and cash flow of its fiduciary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2004 on our consideration of the Rapides Parish Library's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. 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.

Knight - Masden
KNIGHT \diamond MASDEN

RAPIDES PARISH LIBRARY

A Component Unit of the Rapides Parish Police Jury

Combined Balance Sheet

All Funds Types and Account Group

December 31, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Account</u>	<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Non- Expendable Trust</u>	<u>Group</u> <u>General</u> <u>Fixed</u> <u>Assets</u>		
Assets						
Cash and Cash Equivalents	\$ 950,487	\$ 15,064	\$ -	\$ -	\$ -	\$ 965,551
Receivables						
Ad valorem taxes(net)	2,395,530	-	-	-	-	2,395,530
Discounts receivable	4,020	-	-	-	-	4,020
Restricted Assets						
Cash and cash equivalents	-	-	61,551	-	-	61,551
Fixed Assets	-	-	-	7,855,636	-	7,855,636
Total Assets	\$ 3,350,037	\$ 15,064	\$ 61,551	\$ 7,855,636	\$ 7,855,636	\$ 11,282,288
Liabilities and Fund Equity						
Liabilities						
Accounts payable	23,826	-	-	-	-	23,826
Accrued liabilities	152,262	-	-	-	-	152,262
Deferred Revenue	79,149	-	-	-	-	79,149
Contingent liability	34,932	-	-	-	-	34,932
Total Liabilities	290,169	-	-	-	-	290,169
Fund Equity						
Investment in general fixed assets	-	-	-	-	7,855,636	7,855,636
Fund balances						
Unreserved:						
Undesignated	2,752,424	15,064	-	-	-	2,767,488
Designated	307,444	-	-	-	-	307,444
Reserved	-	-	61,551	-	-	61,551
Total Fund Equity	3,059,868	15,064	61,551	-	7,855,636	10,992,119
Total Liabilities and Fund Equity	\$ 3,350,037	\$ 15,064	\$ 61,551	\$ 7,855,636	\$ 7,855,636	\$ 11,282,288

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Revenues			
Local Sources			
Taxes - ad valorem	\$ 2,599,736	\$ -	\$ 2,599,736
Redemptions	21,932	-	21,932
Fees and charges	10,533	-	10,533
Fines and forfeitures	31,119	-	31,119
Gifts	30,000	3,657	33,657
Programs	12,285	-	12,285
Interest Income	39,214	-	39,214
Other revenues	28,364	-	28,364
State Sources			
Unrestricted	163,032	-	163,032
Total Revenues	<u>2,936,215</u>	<u>3,657</u>	<u>2,939,872</u>
Expenditures			
Current			
Library administration (excluding salaries)	546,662	-	546,662
Salaries and related expenses	1,795,083	-	1,795,083
Capital Expenditures			
Buildings and equipment	53,911	-	53,911
Library materials	389,837	4,655	394,492
Total Expenditures	<u>2,785,493</u>	<u>4,655</u>	<u>2,790,148</u>
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	150,722	(998)	149,724
Other Financing Sources			
Transfer In	-	668	668
Excess Deficiency of Revenues and Other Financing Sources Over (Under)			
Expenditures	150,722	(330)	150,392
Fund Balance, Beginning of Year	2,909,146	15,394	2,924,540
Fund Balance, End of Year	<u>\$ 3,059,868</u>	<u>\$ 15,064</u>	<u>\$ 3,074,932</u>

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY

A Component Unit of the Rapides Parish Police Jury
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 General Fund

For the Year Ended December 31, 2003

	Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues					
Taxes - ad valorem	\$ 2,479,938	\$ 2,599,736	\$ (82,435)	\$ 2,517,301	\$ 37,363
Redemptions	10,000	21,932	-	21,932	11,932
Fees and charges	12,665	10,533	-	10,533	(2,132)
Fines and forfeitures	23,500	31,119	-	31,119	7,619
Gifts	23,125	30,000	-	30,000	6,875
Programs	15,000	12,285	-	12,285	(2,715)
Other revenues	6,850	28,364	-	28,364	21,514
Interest Income	33,000	39,214	-	39,214	6,214
Revenue sharing	163,357	163,032	-	163,032	(325)
State Aid	50,067	-	-	-	(50,067)
Total Revenues	<u>2,817,502</u>	<u>2,936,215</u>	<u>(82,435)</u>	<u>2,853,780</u>	<u>36,278</u>
Expenditures					
Library administration	710,952	546,662	(23,587)	523,075	187,877
Salaries and related expenses	1,873,700	1,795,083	15,220	1,810,303	63,397
Buildings and equipment	51,000	53,911	-	53,911	(2,911)
Library materials	337,000	389,837	(9,340)	380,497	(43,497)
Total Expenditures	<u>2,972,652</u>	<u>2,785,493</u>	<u>(17,707)</u>	<u>2,767,786</u>	<u>204,866</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (155,150)</u>	<u>\$ 150,722</u>	<u>\$ (64,728)</u>	<u>\$ 85,994</u>	<u>\$ 241,144</u>
Fund Balance, Beginning of Year	<u>2,909,146</u>	<u>2,909,146</u>			
Fund Balance, End of Year	<u>\$ 2,753,996</u>	<u>\$ 3,059,868</u>			

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY
 A Component Unit of the Rapides Parish Police Jury
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Local Sources			
Gifts	\$ 1,153	\$ 3,657	\$ 2,504
Expenditures			
Library materials	-	4,655	(4,655)
Total Expenditures	-	4,655	(4,655)
Excess of Revenues Over (Under) Expenditures	1,153	(998)	(2,151)
Other Financing Sources			
Transfer in	-	668	668
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ 1,153</u>	(330)	<u>\$ (1,483)</u>
Fund Balance, Beginning of Year		<u>15,394</u>	
Fund Balance, End of Year		<u>\$ 15,064</u>	

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Statement of Revenues, Expenditures and
Changes in Fund Balance - Fiduciary Fund Type
Non-Expendable Trust Fund
For the Year Ended December 31, 2003

Revenues		
Local sources		
Gifts		\$ 500
Interest		<u>668</u>
Total Revenues		1,168
Other Financing Use		
Transfer out to Special Revenue Fund		<u>(668)</u>
Excess of Revenues Over		
Expenditures and Other Financing Use		500
Fund Balance, beginning of year		<u>61,051</u>
Fund Balance, end of year		<u><u>\$ 61,551</u></u>

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Statement of Cash Flows - Fiduciary Fund Type
Non-Expendable Trust Fund
For the Year Ended December 31, 2003

Cash Flows from Operating Activities:	
Donations	\$ 500
Cash Flows from Investing Activities:	
Interest on investments	668
Cash Flows from Noncapital Financing Activities:	
Operating transfers out to other funds	<u>(668)</u>
Net Increase in Cash and Cash Equivalents	500
Cash and Cash Equivalents, beginning of year	<u>61,051</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 61,551</u></u>

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies

The Rapides Parish Library (the "Library") was established by the Rapides Parish Police Jury (the "Jury"), the parish governing authority, under the provisions of Louisiana Revised Statute 25:211. The Library provides citizens of the parish access to library materials, books, magazines, records and films. The Library is governed by a Board of Control which is appointed by the Jury in accordance with the provisions of Louisiana Revised Statute 25:214. The members of the Board of Control serve without pay.

The general purpose financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the Library is a component unit of the Jury, the governing body of the parish. The accompanying general purpose financial statements present information only on the funds maintained by the Library and does not present information on the Jury and the general government services provided by it.

B. Fund Accounting

The Library uses fund and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

In these financial statements, funds are classified into two categories: governmental and fiduciary. The governmental funds are divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of restricted monies (special revenue and capital project grants). The special revenue fund of the Library is used to account for gifts and grants from outside sources that specify how the funds may be spent. The general fund is used to account for all activities of the Library not accounted for in some other fund.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies, Continued

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government or component unit. The fiduciary fund of the Library is a non-expendable trust fund that is used to account for gifts and grants by outside sources in which the principal is restricted in perpetuity. The earnings from these restricted gifts are transferred to the special revenue fund to be expended for specified purposes.

C. Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Property tax revenues are recognized when they become measurable and available as net current assets (within sixty days after year end). Property taxes are recorded as revenue when levied. Fees and charges, fines and forfeitures, and other revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income is accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Capital project grant money received but not spent or obligated is not considered to be available as a net current asset, and is recorded as deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The fiduciary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Budgetary Practices

The Library adopts a budget for its General Fund and Special Revenue Fund on a cash basis of accounting, which is not in accordance with GAAP, and budgetary comparisons presented for the General Fund in this report are on this non-GAAP budgetary basis. The budgetary practices include public hearings on the budgets. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund. The Director is responsible for advising the Finance Committee, who in turn presents the information to the Board of Control, when total revenues and/or expenditures are projected to have a variance in excess of what is allowed by Louisiana Revised Statutes. All appropriations lapse at year end.

The actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the budget. For purposes of preparing the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, the actual results of operations have been adjusted to a basis consistent with the Library's budgeted revenues and expenditures.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies, Continued

E. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and they are recorded as expenditures in the governmental funds when purchased.

No depreciation has been provided on general fixed assets. Fixed assets, other than books, are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets of \$494,979 are valued at fair market value at the date of donation. Books are valued on an estimated per unit cost basis.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

F. Compensated Absences

Employees of the Library earn annual leave at the following rates, which is based on classification and years of service:

Maintenance Workers and Library Clerks:

1-3 years of service	10 work days (80 hours)
4-10 years of service	15 work days (120 hours)
11 years of service and up	20 work days (160 hours)

Library Technical Assistants, Administrative Assistants and Librarians without MLS:

1-3 years of service	15 work days (120 hours)
4 years of service and up	20 work days (160 hours)

Librarians with MLS:

1 year of service and up	20 work days (160 hours)
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No more than the eligible amount of annual leave that an employee earns each fiscal year may be carried forward at the end of the fiscal year. The allowable amount according to job classification is listed above. The Director, under extraordinary circumstances may waive this requirement. Upon termination of employment or death, an employee or his estate must be paid all accumulated vacation leave.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies, Continued

Regular salaried employees earn 15 days (120 hours) of sick leave each year based on 40 hours a week or an amount proportionate to the amount of hours worked a week. The maximum amount of sick leave that can be earned by any employee is 120 hours each fiscal year. On December 31, the end of the fiscal year, accrued sick leave is carried forward to the next year. Employees may accrue an unlimited amount of sick leave. Employees are not compensated for accumulated sick leave if employment is terminated; however, unused sick leave is used in the retirement computation as earned service.

The amount of accumulated vested employee annual leave benefit of \$57,108 at December 31, 2003 is reflected in the accompanying financial statements in the accrued liabilities caption in the General Fund. Sick leave benefits are not accrued.

G. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

H. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits and money market accounts. Cash equivalents include certificates of deposits with a maturity date of 91 days or less.

I. Encumbrances

The Library does not use encumbrance accounting or reporting.

J. Capitalized Interest

The Library does not use capitalized interest accounting or reporting.

K. Infrastructure Assets

The Library does not use infrastructure asset accounting or reporting.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies, Continued

M. Fund Equity

Components of fund equity include the following:

Reserved - amounts legally segregated for specific usage or commitments to outside parties.

Unreserved, designated - amounts representing tentative management plans, but subject to change.

Note 2 - Cash and Cash Equivalents

Under state law, the Library may deposit funds in demand accounts, money market accounts, or certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At December 31, 2003, the Library had cash and cash equivalents totaling \$1,027,102 as follows:

Certificates of deposit	\$ 310,231
Cash on hand	150
Checking account	645,117
Savings account	<u>71,604</u>
	<u>\$ 1,027,102</u>

These deposits are stated at cost, which approximates market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2003 were secured as follows:

Bank balances	<u>\$ 1,055,343</u>
Federal deposit insurance	201,500
Pledged securities (Category 3)	<u>853,843</u>
Total insurance and pledged securities	<u>\$ 1,055,343</u>

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 Library that the fiscal agent has failed to pay deposited funds upon demand.

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 3 - Ad Valorem Taxes Revenues and Receivables

Ad valorem taxes and the related State revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are assessed. The ad valorem tax rate assessed for the Library is 6.08 mills. Ad valorem taxes are assessed on a calendar year basis, become due on November 5 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year. Uncollected ad valorem taxes levied for 2003 are recorded as receivables, net of estimated uncollectibles of \$79,608.

The property line between Rapides and Grant parishes has been disputed and is currently in court to determine to which parish the property belongs. If the property is considered to belong to Grant Parish, the Library could lose some of the ad valorem tax revenues.

In the past if a taxpayer disagreed with the assessment and paid their property tax under protest, the tax paid under protest was put into a separate fund and held until the protest was settled. The money would then be distributed to the districts or returned to the taxpayer. A new law, ACT No 1149 has been passed, and it changes this procedure. Beginning in 2002, the money was distributed with the regular monthly distributions, but if the taxpayer wins the lawsuit it is estimated that the taxing district will have to return forty percent of the money. The amount paid under protest for 2003 is \$16,772; forty percent of this amount, which has been added to the contingent liability, is \$6,709. The balance of the amount shown as contingent liability is tax paid under protest in prior years.

Note 4 - Changes in General Fixed Assets

The following is a summary of changes in General Fixed Assets for the year ended December 31, 2003:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Land	\$ 301,410	\$ -	\$ -	\$ 301,410
Buildings	1,734,720	11,408	-	1,746,128
Equipment	1,395,502	7,589	-	1,403,091
Vehicles	143,486	-	-	143,486
Books	<u>3,392,666</u>	<u>868,855</u>	<u>-</u>	<u>4,261,521</u>
 Total	 <u>\$6,967,784</u>	 <u>\$ 887,852</u>	 <u>\$ -</u>	 <u>\$7,855,636</u>

RAPIDES PARISH LIBRARY
A Component Unit of the Rapides Parish Police Jury
Notes to Financial Statements
December 31, 2003

Note 5 - Pension Plan

Substantially all employees of the Library are members of the Parochial Employees Retirement System (the system), a cost sharing multiple-employer, public employee retirement system (PERS), controlled and administered by a separate board of trustees. The system is composed of two district plans (Plan A and Plan B). All participating employees of the Library are members of Plan A.

The System provides retirement, death and disability benefits to plan members and beneficiaries. Benefits are established by state statute. The Parochial Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Parochial Employees Retirement System, P. O. Box 14619, Baton Rouge, LA 70898-4619 or by calling (225) 928-1361.

Covered employees are required by state statute to contribute 9.5 percent of their salary to the plan. The Library is required by the same statute to contribute 7.75 percent. Contribution rates have remained the same for the current and prior three years. In addition, contributions to the System include one-fourth of one percent of the taxes shown to be collected by the sheriff of each respective parish, except Orleans and East Baton Rouge Parish. The Library's contributions to the system for the years ended December 31, 2003, 2002, and 2001 were \$97,570, \$91,067, and \$90,798 respectively, equal to the required contributions for each year.

Note 6 - Accumulated Compensatory Time

Library employees who work on holidays and in an occasional overtime status are permitted to accumulate compensatory time to be taken off or to be paid at a later date. The Library maintains a policy that all compensatory time should be exhausted prior to the expiration of a fiscal year unless otherwise authorized by the Director or Human Resources Manager. Upon termination of employment or death, an employee or his estate shall be paid all accumulated compensatory leave.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Library to purchase commercial insurance for the risks of loss to which it may be exposed. The Library's book collection and equipment are under-insured. The financial impact, if any, resulting from inadequate insurance cannot be reasonably estimated. However, the destruction of books and equipment at all locations at the same time is unlikely.

The Library does not pay State unemployment tax for its employees. It has an arrangement with the State of Louisiana and is considered self-insured. Any allowable claims submitted to the unemployment office are paid to the recipient by the State and the Library reimburses the State for claims paid on its behalf. Previous claims have been minimal.

RAPIDES PARISH LIBRARY
 A Component Unit of the Rapides Parish Police Jury
 Notes to Financial Statements
 December 31, 2003

Note 8 - Lease Commitments

The Library is committed to four operating leases for copiers and a postage meter. The lease expense for 2002 and 2003 is \$18,412 and \$21,608 respectively. The leases will expire at various dates in the years 2005, 2006 and 2008. Approximate future minimum lease payments of all non-cancelable equipment leases for the next five years is as follows:

2004	\$21,733
2005	\$17,581
2006	\$16,624
2007	\$13,735
2008	\$ 5,723

The Library is also committed to separate contracts to lease three buildings for the following annual amounts:

2004	\$12,600
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In the event that the Library revenues are deemed insufficient to maintain operations at these locations, the Library may terminate these building leases after a sixty day written notice.

Note 9- Designated and Reserved Fund Equity

Fund equity is reserved for the following purposes:

Endowments	<u>\$ 61,551</u>
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The Library Board of Control has designated unreserved fund equity for certain future projects as follows:

Continued upgrades of automation equipment and software	\$ 257,732
Purchase of new bookmobile	<u>49,712</u>
Total reserved, designated equity	<u>\$ 307,444</u>

Note 11 Pending Litigation

The library is currently involved in a dispute with a former employee. The outcome of this litigation is undeterminable, but the amount is not expected to exceed the amount covered by insurance.

KNIGHT MASDEN

Certified Public Accountants

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May 10, 2004

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

The Board of Control
Rapides Parish Library
Alexandria, Louisiana

We have audited the general purpose financial statements of the Rapides Parish Library, a component unit of the Rapides Parish Police Jury in the State of Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 10, 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.

In our prior report of the Rapides Parish Library, dated June 18, 2003, we reported findings relating to compliance with asset management, budget requirements, credit card use, and bid law. Management has resolved the credit card use issue and the findings related to bid law. Our findings on asset management and budget requirements are shown below.

Compliance

As part of obtaining reasonable assurance about whether the Rapides Parish Library'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 four instances of noncompliance that is required to be reported under Government Auditing Standards, which is described as follows:

Compliance with Asset Management Laws

According to LSA-RS39: 324, inventory of furniture and equipment should be maintained including date acquired, description, cost, serial number, ID number, and disposition. The lists maintained by the Library do not include the items required.

Library's Reply – We have been working toward completing this task. An inventory of all the assets has been taken and all items have been tagged. The items that we are working towards completing are acquisition dates and cost. We are continually working on this and hope to complete it within this year.

The Board of Control
Rapides Parish Library
Alexandria, Louisiana

Compliance with Budget Requirements

Louisiana Revised Statute 39:1311 requires that budgets should be prepared for special revenue funds, but they do not have to be amended to come within 5% of actual unless expected expenditures will be greater than two hundred fifty thousand dollars.

The Library's special revenue fund had an incomplete budget for 2003.

We recommend that budgets be prepared and reviewed for all aspects of required funds.

Library's Reply - This was a misunderstanding on the part of the previous business manager and the current business manager followed what was being done before. A budget for all aspects of the special revenue fund will be prepared and presented to the board.

Fiscal Agent Contract

Louisiana Revised Statute 39: 1211-1245 requires a fiscal agent agreement with the fiscal agent bank.

The Library does not have a fiscal agent agreement with its fiscal agent.

We recommend obtaining a fiscal agent agreement.

Library's Reply – A fiscal agent agreement will be executed in the very near future to supplement or replace the letter that is currently used.

Investment Policy

Louisiana Revised Statute 33:2955 requires a formal investment policy be adopted allowing investment in only specific obligations.

The Library has investments in the proper types of investments as specified in R.S. 33:2955, but there is no formal investment policy in place.

We recommend adopting a formal investment policy.

Library's Reply While there are certain understood policies governing investments, we will adopt a formal investment policy within this year.

Payment of Expenses

Louisiana Revised Statute 25:220 states that expenses or costs of the library shall be paid monthly upon the approval by the board of control.

Board members are reviewing invoices after checks have been released. During testing we also noted 3 instances out of 60 tested where there was no board approval for expenses paid.

We recommend having board members approve all checks before they are released.

Library's Reply – During 2004 we have revised our payment procedures to have a board member sign off on all payables before the checks are released.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rapides Parish Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Missing Documentation

During the review of the sample of checks written, there two out of sixty instances where documentation was missing. The Library's policy requires documentation for all checks written.

Library's Reply – These two instances occurred early in the year, and since this time the business manager has become more strict on having some sort of invoice or documentation for all checks written before the payments can be released.

Access to Director's Signature

The human resource manager and the business manager have access to either a signature stamp or the check signing machine as well as blank checks.

Library's Reply – As of February, 2004, the human resource manager and the business manager no longer has access to the keys to the check signing machine.

Changes in Pay Rates

A review of the pay rates entered into ABRA is not performed at any time throughout the year. This makes the Library vulnerable to unauthorized changes to pay rates.

Library's Reply - The software has a log that tracks changes to the pay rates that will be reviewed by an independent member of management in June and December of each year.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily

disclose all reportable conditions that are also considered material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management and the Board of Control of the Rapides Parish Library and is not intended to be, and should not be, used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

Knight-Masden
KNIGHT & MASDEN