

**MOREHOUSE PARISH LIBRARY
BASTROP, LOUISIANA**

FINANCIAL REPORT

**As of and for the Two Years 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.

Release Date 8/25/04

**MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana**

Financial Report

As of and for the Two Years Ended December 31, 2003

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MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Financial Report
As of and for the Two Years Ended December 31, 2003

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

Independent Auditor's Report

BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

I have audited the accompanying financial statements of the governmental activities of Morehouse Parish Library, a component unit of Morehouse Parish, as of December 31, 2003, and for the two years then ended, which comprise the library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Morehouse Parish Library, as of December 31, 2003, and the respective changes in financial position for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Morehouse Parish Library 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 December 31, 2002.

**BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Independent Auditor's Report
December 31, 2003**

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

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Morehouse Parish Library's basic financial statements. The Status of Prior Audit Findings is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 7, 2004, on my consideration of Morehouse Parish Library's internal control over financial reporting and my tests of the library's compliance with certain provisions of 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 my audit.



Calhoun, Louisiana
June 7, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Morehouse Parish Library's financial report presents our discussion and analysis of the Library's financial performance during the year ended December 31, 2003. Please read it in conjunction with the Library's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The Library's total net assets decreased \$38,138 over the course of the two years ended December 31, 2003.
- During 2003, the Library's expenses were \$11,000 more than the \$402,000 generated in taxes and other revenues for governmental programs. This is an improvement over 2002, when expenses exceeded revenues by \$27,000. Included in expenses is depreciation of \$26,000 and \$21,000 for 2003 and 2002, respectively.
- The total cost of the Library's services in 2003 decreased \$19,000 from the costs of 2002. No new services were added during the two years.
- The Library's total net assets were \$608,809 as of December 31, 2003.
- For 2003, the actual cash resources available for appropriation were \$83,795 more than budgeted for the general fund and total charges to appropriations were \$46,700 less than budgeted for the general fund. For 2002, these amounts were \$161,835 and \$65,753, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements and notes that present different financial views of the Library:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Library's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Library, reporting on the Library's operations in more detail than the government-wide financial statements. The governmental funds financial statements tell how general government services were financed in the short-term as well as what remains for future spending.
- The *notes* explain some of the information in the financial statements and provide more detailed data.
- The statements and notes are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 shows how the required parts of this financial report are arranged and relate to one another.

Figure A-1 – Required Components of the Library's Financial Report

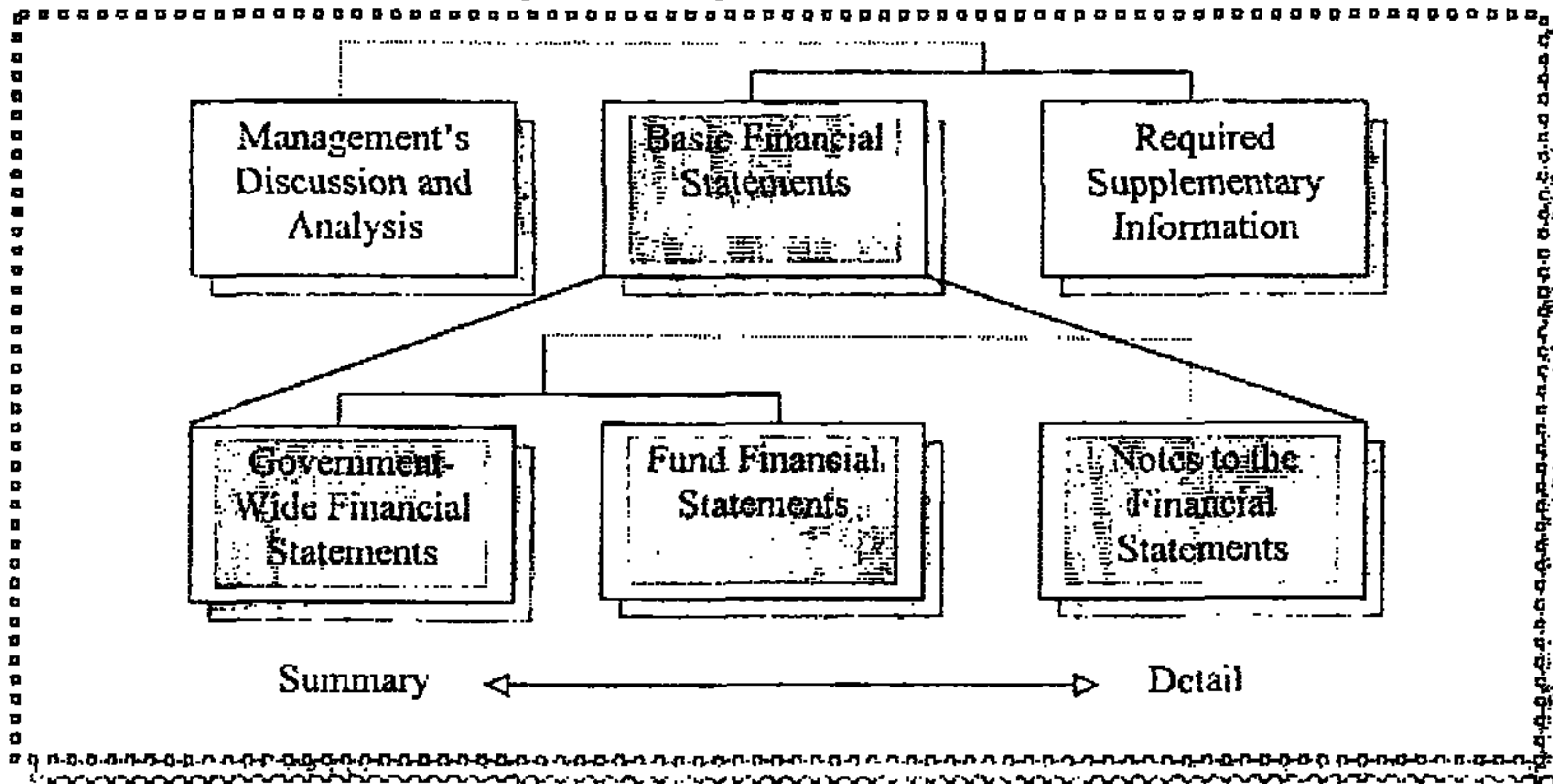


Figure A-2 summarizes the major features of the Library's financial statements, including the portion of the Library's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 – Major Features of the Library's Government-Wide and Fund Financial Statements

	<u>Government-Wide Financial Statements</u>	<u>Fund Financial Statements</u>
Scope	Entire Library government	Governmental fund activities of the Library that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short- and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter

Government-Wide Financial Statements

The government-wide financial statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Library's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Library's net assets and how they have changed. Net assets - the difference between the Library's assets and liabilities - is one way to measure the Library's financial health, or position.

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library one needs to consider additional nonfinancial factors, such as changes in the Library's ad valorem tax base.

The government-wide financial statements of the Library include all of the Library's services. Ad valorem taxes finance the majority of these services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library as a whole. All of the Library's services are included in the governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances available at year-end for spending. Consequently, the fund financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's services. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on the subsequent pages that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Net assets. The Library's net assets were virtually unchanged between the two years ended December 31, 2003 and 2002 (see Table A-1).

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2003</u>	<u>2002</u>	<u>Change</u>
			<u>2002 - 2003</u>
Current and other assets	\$ 705	692	1.9%
Capital assets	277	303	(8.6)%
Total assets	\$ 982	\$ 995	(1.3)%
Other liabilities	\$ 374	\$ 376	1.1%
Total liabilities	\$ 374	\$ 376	1.1%
Net assets			
Invested in capital assets	\$ 277	\$ 303	(8.6)%
Unrestricted	331	316	0.0%
Total net assets	\$ 608	\$619	0.0%

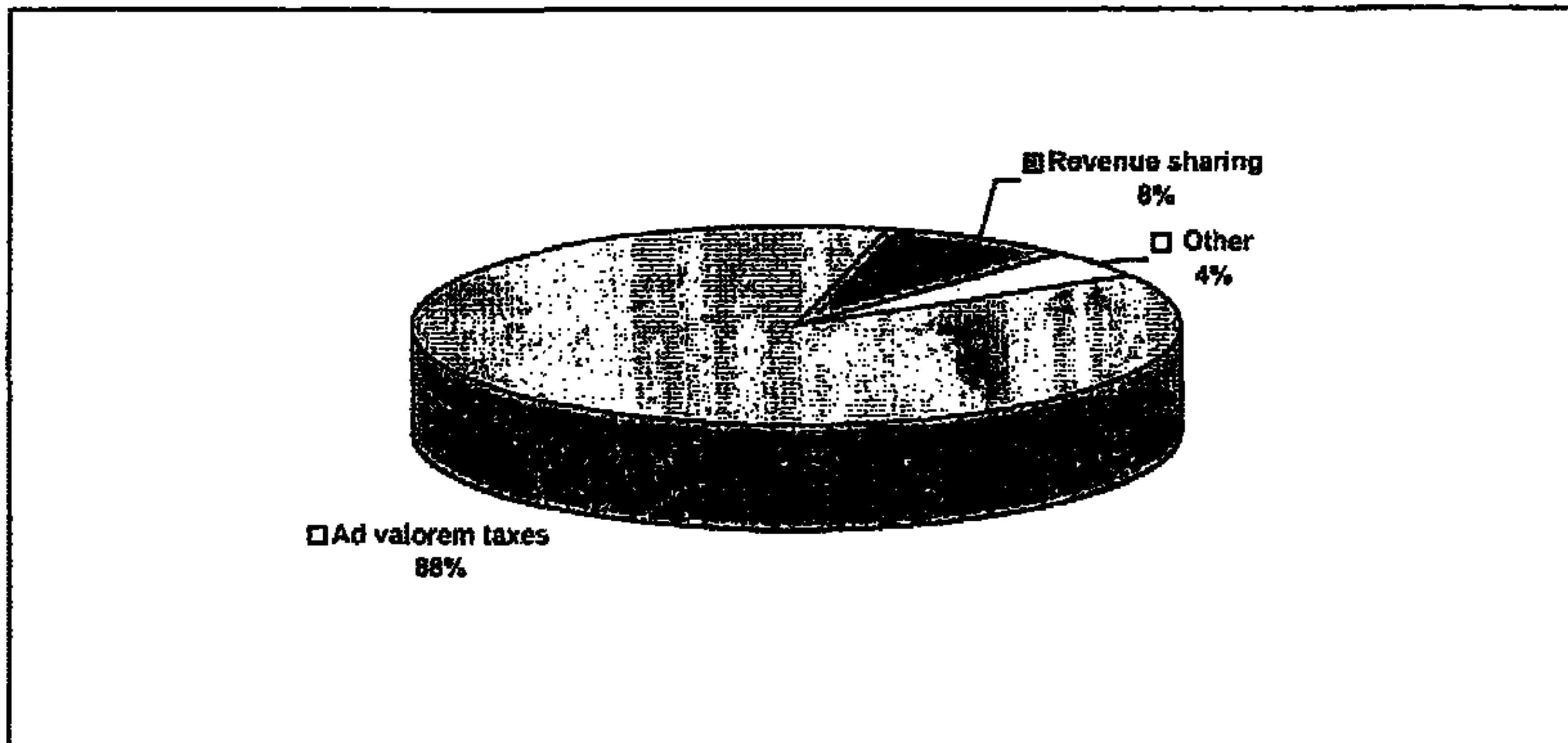
Change in net assets. The Library's total revenues decreased by \$18,000 to \$402,000 (see Table A-2). Almost 90% of the Library's revenues come from ad valorem taxes (see Figure A-3) while the remaining revenues come from state revenue sharing, fines and forfeitures, charges for services, interest, and miscellaneous.

Table A-2 – Changes in Morehouse Parish Library's Net Assets (in thousands of dollars)

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2003</u>	<u>2002</u>	<u>Change</u> <u>2002 - 2003</u>
Revenues:			
Program revenues:			
Fines and forfeitures	\$ 2	\$ 2	0.0%
Charges for services	2	3	(33.3)%
State aid grant	-	15	(100.0)%
General revenues:			
Ad valorem taxes	354	344	2.9%
State revenue sharing	33	33	0.0%
Interest and miscellaneous	<u>11</u>	<u>23</u>	(52.2)%
Total revenues	<u>\$ 402</u>	<u>\$ 420</u>	(4.3)%
Expenses			
General government:			
Statutory charges	\$ 12	\$ 11	10.0%
Culture and recreation:			
Depreciation	26	21	23.8%
Personal services	217	214	2.3%
Operating services	92	132	(25.0)%
Materials and supplies	13	23	(44.0)%
Library materials	45	40	9.5%
Travel	6	4	25.0%
Intergovernmental	<u>2</u>	<u>2</u>	0.0%
Total expenses	<u>\$ 413</u>	<u>\$ 447</u>	(6.1)%
Increase (decrease) in net assets	<u>\$(11)</u>	<u>\$(27)</u>	(36.0)%

The total cost of all services was virtually unchanged (decreasing approximately \$19,166). The Library's expenses cover general government and culture and recreation services, with 52.2% of the culture and recreation expenses related to personal services (payroll and related expenses) for 2003 and 47.8% for 2002 (see Figure A-4).

Figure A-3
Morehouse Parish Library
Sources of Revenues – year ended December 31, 2003



Morehouse Parish Library
Sources of Revenues – year ended December 31, 2002

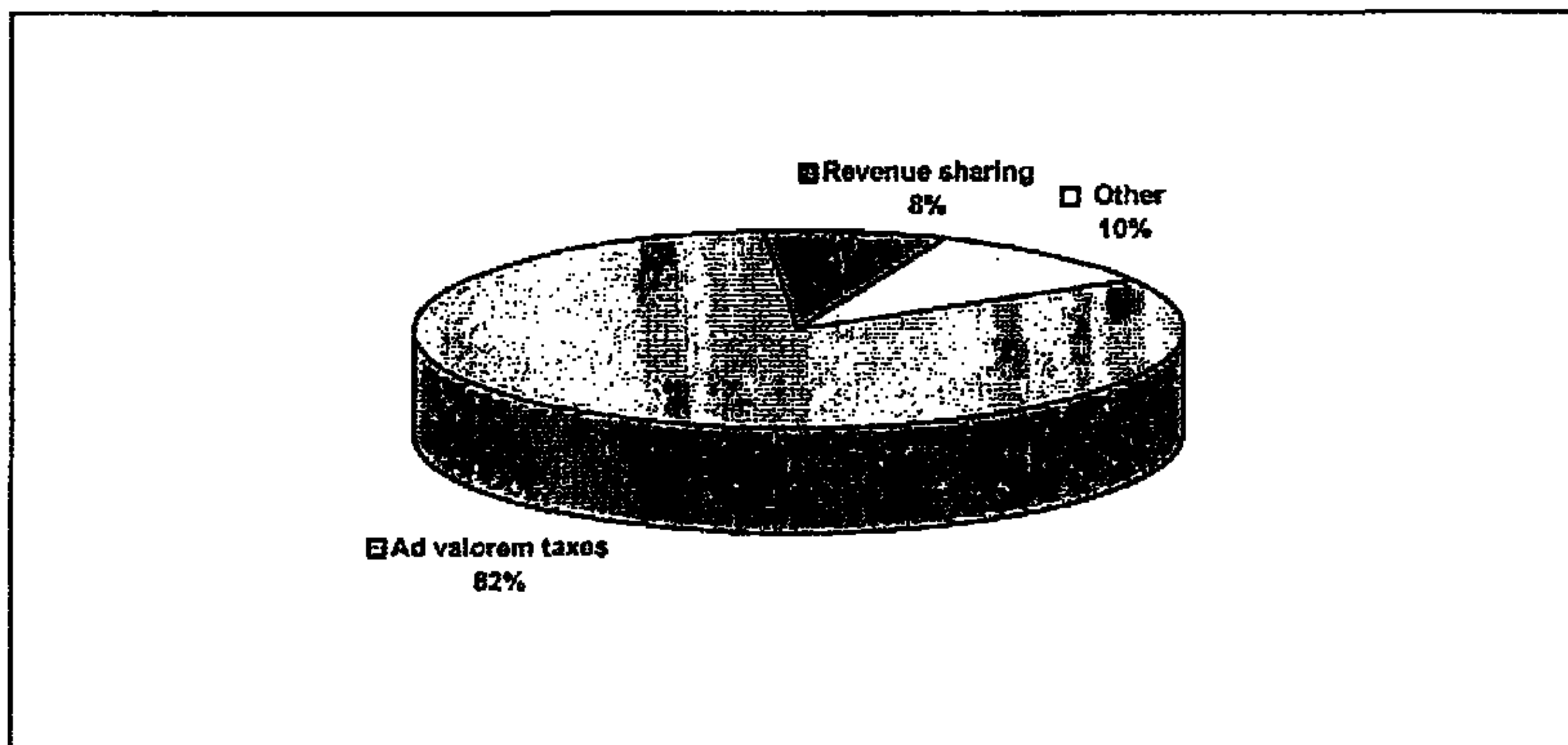
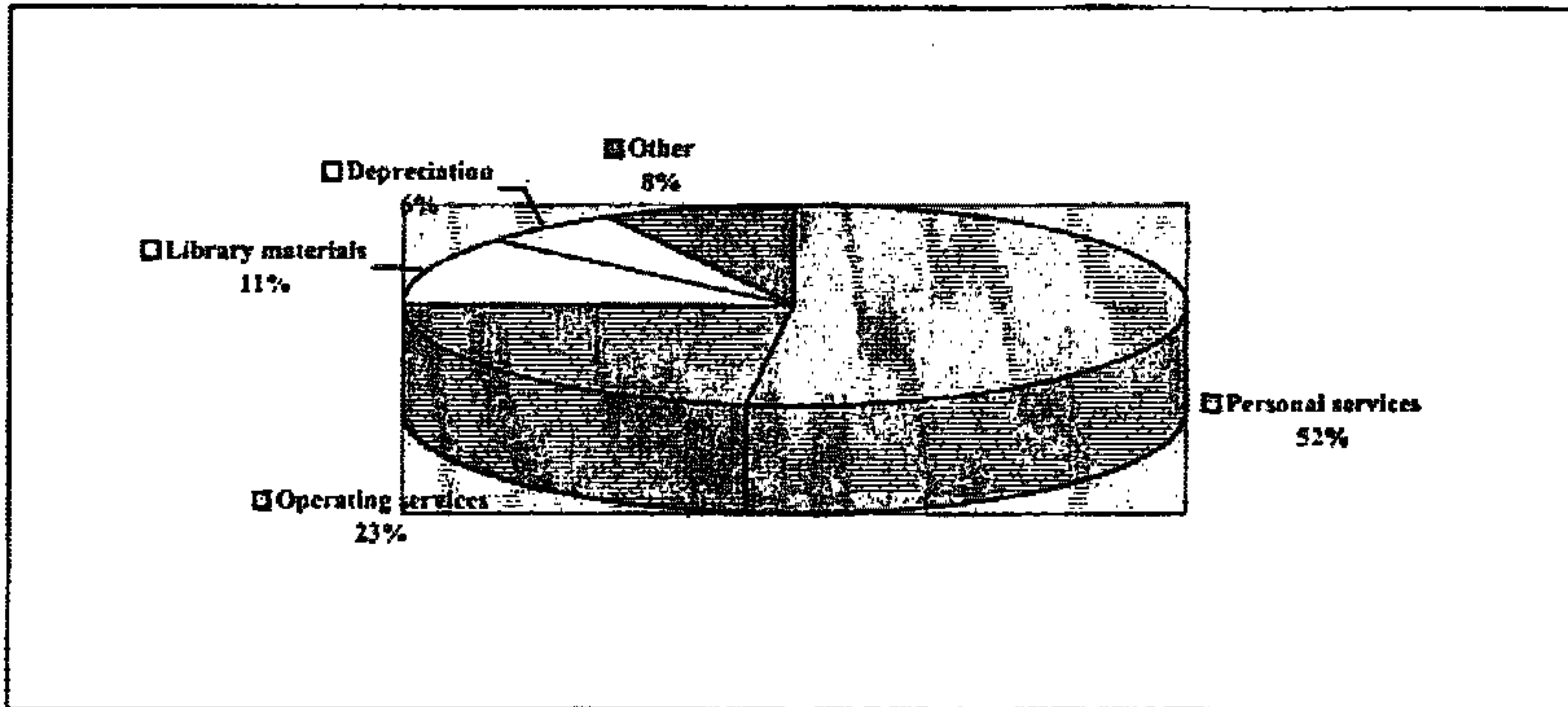
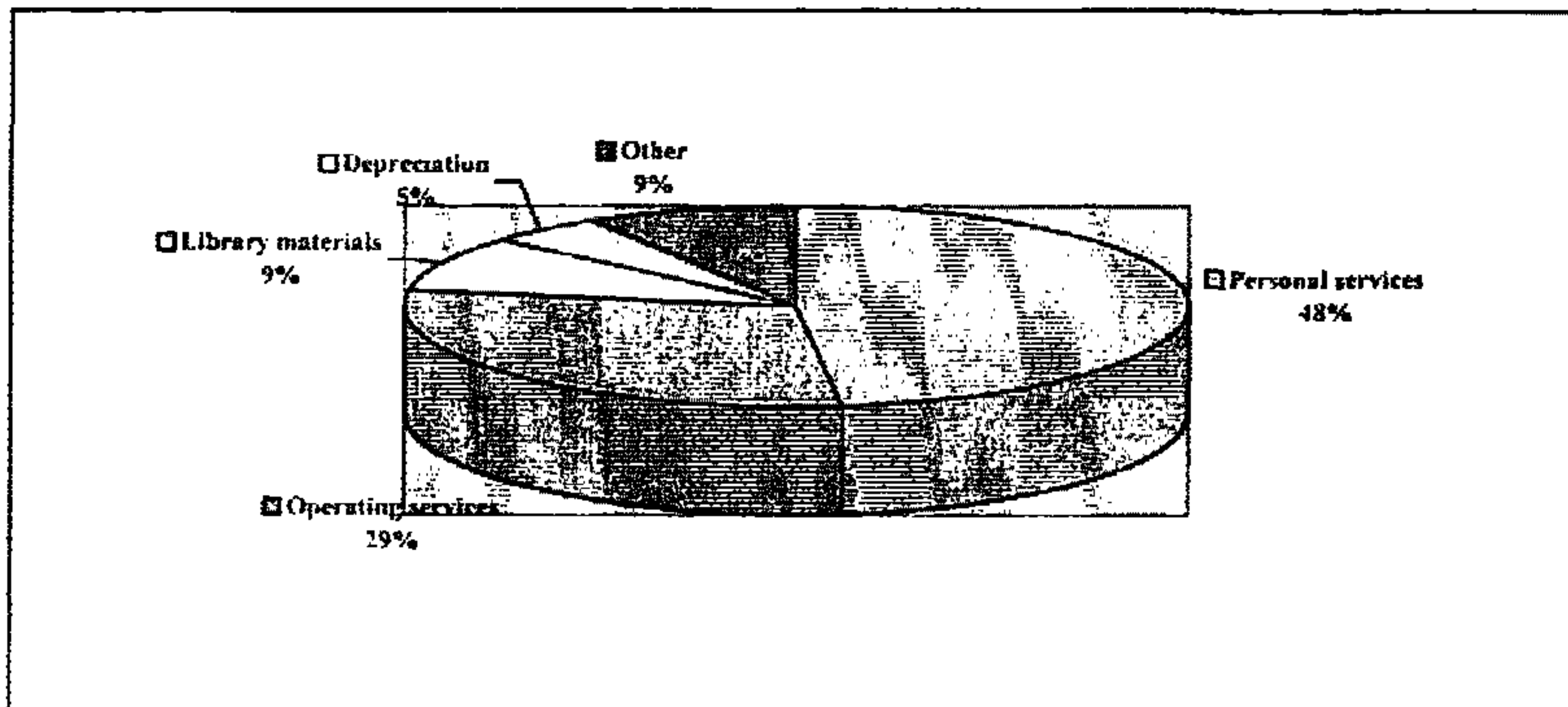


Figure A-4
Morehouse Parish Library
Expenses – year ended December 31, 2003



Morehouse Parish Library
Expenses – year ended December 31, 2002



FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As the Library completed 2003, its governmental fund reported a fund balance of \$331,358, slightly above the prior year of \$316,185. During 2002, fund balances decreased \$68,730 from the 2001 amount.

General Fund Budgetary Highlights

The Library revised its budget one time during 2003. The majority of the amendment affected the beginning fund balance.

Even with this budget amendment, actual amounts available for appropriation in 2003 of \$743,795 exceeded budgeted amounts available for appropriation of \$660,000 by \$83,795. The more significant favorable variances resulted from \$66,500 beginning budgetary fund balance and \$27,213 of additional ad valorem tax revenues.

Actual charges to appropriations in 2003 of \$395,266 were less than budgeted charges to appropriations of \$442,000 by \$46,734.

The Library revised its 2002 budget one time also. The amendment affected the majority of all expenditure amounts.

In 2002, actual amounts available for appropriation of \$431,036 exceeded budgeted amounts available for appropriation of \$382,468 by \$48,568. As in 2003, the more significant favorable variance resulted from \$31,816 of additional ad valorem tax revenues.

Actual charges to appropriations in 2002 of \$486,803 were less than budgeted charges to appropriations of \$552,556 by \$65,753. Approximately \$111,000 less was expended on library materials than appropriated.

CAPITAL ASSETS

As of December 31, 2003, the Library had invested \$277,451 in capital assets, including furniture, equipment, buildings, and land (see Table A-4). No funds were expended for capital assets during 2003. Computer automation equipment costing \$62,450 was purchased by the Library in 2002.

Table A-4 -- Morehouse Parish Library's Capital Assets (in thousands of dollars)

	<u>Governmental Activities</u>	<u>Percentage of Total</u>
Land	\$ 60	21.7%
Buildings and improvements	167	60.3%
Furniture and equipment	2	.7%
Computer automation	<u>48</u>	<u>17.3%</u>
Totals	<u>\$ 277</u>	<u>100.0%</u>

NEXT YEAR'S BUDGET

Cash amounts available for appropriation in the 2004 general fund budget are \$650,000, a decrease of 1.5 percent from the final 2003 budget of \$660,000. Likewise, budgeted 2004 charges to appropriations are expected to decline nearly 3 percent to \$430,000. The Library has added no major new services to the 2004 budget.

If these estimates are realized, the Library's budgetary general fund balance is expected to decrease modestly by the close of 2004.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Librarian at Morehouse Parish Library's main branch office, 523 East Madison Avenue, Bastrop, Louisiana, 71220.

BASIC FINANCIAL STATEMENTS

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
December 31, 2003

ASSETS	
Cash	\$149,274
Investments	200,000
Ad valorem taxes receivable	355,753
Capital assets, net of depreciation	<u>277,451</u>
TOTAL ASSETS	<u><u>\$982,478</u></u>
LIABILITIES	
Accounts payable	2,626
Payroll withholdings and accruals	757
Deferred revenue	<u>370,286</u>
TOTAL LIABILITIES	<u>373,669</u>
NET ASSETS	
Invested in capital assets	277,451
Unrestricted	<u>331,358</u>
TOTAL NET ASSETS	<u>608,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$982,478</u></u>

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES - BY YEARS
For the Two Years Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
Expenses:		
General government - statutory charges	\$11,726	\$10,436
Culture and recreation:		
Depreciation	25,973	21,057
Personal services	217,105	214,465
Operating services	91,593	131,687
Materials and supplies	13,023	23,387
Library materials	45,476	40,368
Travel	5,830	4,269
Intergovernmental	2,280	2,280
Total expenses	<u>413,006</u>	<u>447,949</u>
Program revenues:		
Charges for services	4,420	4,974
Operating grants		15,223
Total program revenues	<u>4,420</u>	<u>20,197</u>
Net (Expenses) Revenues	<u>(408,586)</u>	<u>(427,752)</u>
General revenues:		
Ad valorem taxes	354,123	344,361
State revenue sharing	33,182	32,959
Interest earnings	8,366	10,529
Miscellaneous	2,114	12,566
Total general revenues	<u>397,785</u>	<u>400,415</u>
Change in net assets	(10,801)	(27,337)
Net assets - beginning	<u>619,610</u>	<u>646,947</u>
Net assets - ending	<u>\$608,809</u>	<u>\$619,610</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
December 31, 2003

ASSETS	
Cash	\$149,274
Investments	200,000
Ad valorem taxes receivable	<u>355,753</u>
TOTAL ASSETS	<u>\$705,027</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$2,626
Payroll withholdings and accruals	757
Deferred revenue	<u>370,286</u>
Total liabilities	373,669
Fund balance - unreserved	<u>331,358</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$705,027</u>
Reconciliation of the Balance Sheet of Governmental Fund - General Fund	
To the Statement of Net Assets:	
Fund balance - unreserved	\$331,358
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	<u>277,451</u>
Net assets of governmental activities (Statement A)	<u>\$608,809</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND -
GENERAL FUND - BY YEARS**
For the Two Years Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
REVENUES		
Ad valorem taxes	\$354,123	\$344,361
State revenue sharing	33,182	32,959
State aid grant		15,223
Fines and forfeitures	2,435	2,071
Charges for services	1,986	2,903
Interest earnings	8,366	10,529
Miscellaneous	2,114	12,566
Total revenues	<u>402,206</u>	<u>420,612</u>
EXPENDITURES		
General government - statutory charges	11,726	10,436
Culture and recreation:		
Personal services	217,105	214,465
Operating services	91,593	131,687
Materials and supplies	13,023	23,387
Library materials	45,476	40,368
Travel	5,830	4,269
Intergovernmental	2,280	2,280
Capital outlay		62,450
Total expenditures	<u>387,033</u>	<u>489,342</u>
NET CHANGE IN FUND BALANCE	15,173	(68,730)
FUND BALANCE AT BEGINNING OF YEAR	<u>316,185</u>	<u>384,915</u>
FUND BALANCE AT END OF YEAR	<u>\$331,358</u>	<u>\$316,185</u>

(Continued)

The accompanying notes are an integral part of this statement.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND -
GENERAL FUND - BY YEARS (Contd.)**
For the Two Years Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund - General Fund to the Statement of Activities:		
Net change in fund balance	\$15,173	(\$68,730)
Amount reported for governmental activities in the Statement of Activities (Statement B) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>(25,974)</u>	<u>41,393</u>
Change in net assets of governmental activities (Statement B)	<u><u>(\$10,801)</u></u>	<u><u>(\$27,337)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**MOREHOUSE PARISH LIBRARY
BASTROP, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
As of and for the Two Years Ended December 31, 2003 and 2002**

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Parish Library (the "Library") is a component unit of Morehouse Parish. It was created by Ordinance No. 618 adopted by the Police Jury of Morehouse Parish on April 5, 1939. The administration of and accounting functions for funds of Morehouse Parish Library were transferred from Morehouse Parish Police Jury to Morehouse Parish Library Board of Control, effective January 1, 1983. The governing body of the Library consists of an eight member, non-compensated Board of Control which is appointed by Morehouse Parish Police Jury.

The Library provides approximately 31,200 parish citizens access to resource materials, books, magazines, films, recordings, and Internet.

The Board of Control is responsible for the hiring of a qualified librarian who is responsible for administration of day-to-day operations of the Library and supervision of employees.

The main Library and one full service branch are located at the parish seat, Bastrop, Louisiana, with four additional branches located within the parish and offering full services on a part-time basis.

The more significant of the Library's accounting policies are described below:

Basis of Presentation:

The accompanying basic financial statements of the Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

Reporting Entity:

The Library does not possess all the corporate powers necessary to make it a legally separate entity from Morehouse Parish Police Jury, which holds the Library's corporate

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

powers. For this reason, the Library is a component unit of Morehouse Parish Police Jury, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the Library and do not present information on Morehouse Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Accounting:

The Library uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain library functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

A governmental fund accounts for all of the Library's general activities. This fund focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the governmental fund according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Library. The General Fund is the Library's governmental fund and the primary operating fund of the Library accounting for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Library's policies.

Measurement Focus/Basis of Accounting:

Fund Financial Statements:

The amounts reflected in the General Fund's balance sheet are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The General Fund's statement of revenues, expenditures, and changes in fund balance 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 is then reconciled, through adjustment, to a government wide view of the Library's operations.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

The amounts reflected in the General Fund's balance sheet and statement of revenues, expenditures, and changes in fund balance 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. The Library 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. The fund financial statements use the following practices in recording revenues and expenditures:

The major revenue susceptible to accrual is ad valorem taxes. Intergovernmental funding, fines and forfeitures, charges for services, grants, and other revenues are not susceptible to accrual because generally they are not measurable until received in cash. No material accruals are necessary for expenditures.

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

Government-Wide Financial Statements:

The statement of net assets and statement of activities display information about the Library as a whole. These statements include all the financial activities of the Library. Information contained in these statements reflect the economic resources measurement focus and the accrual basis of accounting. Revenues and expenses are recognized when the exchange occurs (regardless of when cash is received or disbursed).

Program Revenues:

Program revenues included on the statement of activities are derived from Library users as a fee for services. Program revenues reduce the cost of the function to be financed from the Library's general revenues.

Budgets and Budgetary Accounting:

The Board of Control adopted annual budgets for the General Fund for the two years ended December 31, 2003 and 2002, on October 28, 2002, and October 29, 2001, respectively.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

The annual budgets were prepared in accordance with the cash basis of accounting utilized by the General Fund. The Librarian is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Control. Amendments were made to both of the annual budgets and are reflected in the budget comparisons. All annual appropriations lapse at fiscal year end.

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.

Schedules 1 and 2 in the accompanying financial statements present comparisons of the legally adopted budget with actual data on the budgetary (Non-GAAP) basis. Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present the fund financial statements, a reconciliation of resultant basis differences in the change in fund balance follows:

	<u>2003</u>	<u>2002</u>
Net change in fund balance (Non-GAAP basis) as reported on Schedules 1 and 2	\$1,029	(\$55,767)
Adjustments to revenues for accounts receivable	16,604	11,078
Adjustments to expenditures for payroll accruals	3,002	(80)
Adjustments to expenditures for accounts payable	5,232	(2,460)
Adjustments to revenue for deferred property tax revenue	<u>(10,694)</u>	<u>(21,501)</u>
Net change in fund balance (GAAP basis) as reported on Statement D	<u>\$15,173</u>	<u>(\$68,730)</u>

Cash and Cash Equivalents:

Cash includes amounts in demand deposits and time deposits which are reported at net book value - the December 31, 2003, bank balance plus deposits in transit and less checks that have not cleared the bank as of that date. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

Under state law, the Library may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

Investments:

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments in nonparticipating interest-bearing contracts, generally certificates of deposit, are reported at cost, which approximates market value.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Library's management is of the opinion that such allowance would be immaterial in relation to the basic financial statements taken as a whole.

Capital Assets:

Capital assets are capitalized at historical cost. The Library maintains a threshold level of \$2,500 or more for capitalizing capital assets.

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

	<u>Estimated Lives</u>
Buildings and improvements	40 years
Furniture and fixtures	5 years
Computer automation	5 years

Accumulated Compensated Absences:

Full-time professional staff of the Library earn 22 days per year of vacation. Non-professional staff members of the Library earn from ten to 20 days of vacation each anniversary year of employment, depending on length of service. Employees may not accumulate vacation. Upon resignation or retirement, employees are compensated for vacation earned but not taken during the current anniversary year of employment at the employee's current rate of pay.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

The cost of vacation is recognized as a current year expenditure in the governmental fund when vacation is actually taken or when employees are paid for accrued vacation upon resignation or retirement.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Fund Equity:

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

Ad Valorem Taxes:

Ad valorem taxes attach as an enforceable lien on property as of the date the tax rolls are filed with the recorder of mortgages which, by law, must be on or before November 15 of each year. Billed taxes become delinquent on January 1 of the following year. Morehouse Parish Sheriff bills and collects the Library's property taxes using the assessed values determined by Morehouse Parish Tax Assessor. Revenues from ad valorem taxes are recognized as deferred revenue when levied.

Estimates:

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

Note 2. DEPOSITS IN FINANCIAL INSTITUTIONS

The following is a summary of cash, cash equivalents, and investments (book balances) at December 31, 2003:

Non-interest bearing demand deposits	\$143,157
Time deposits	6,027
Investments - certificates of deposit	200,000
Petty cash	<u>90</u>
Total	<u>\$349,274</u>

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

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

At December 31, 2003, the Library had \$360,157 in deposits (collected bank balances). These deposits were secured from risk by \$206,027 of federal deposit insurance and \$154,130 of pledged securities held by the custodial bank in the name of the fiscal agent bank or Library and pledged in the name of the Library(GASB Category 3).

There were no repurchase or reverse repurchase agreements at December 31, 2003.

Note 3. Ad Valorem Taxes

For the two years ended December 31, 2003 and 2002, ad valorem taxes of 3.26 mills were levied on property with assessed valuations totaling \$113,582,940 and \$103,707,200, respectively, as follows:

	Authorized Millage	Levied Millage	Expiration Date
General corporate purposes	3.26	3.26	2009

The following are the principal ad valorem taxpayers for the Library for the year ended December 31, 2003:

Taxpayer	Assessed Valuation	Approximate Percentage of Total Assessed Valuation	Ad Valorem Tax Revenue
International Paper Co.	\$ 25,613,000	22.55%	\$ 46,265
Texas Gas Transmission Corp.	4,827,700	4.25%	11,165
Entergy Louisiana, Inc.	4,575,980	4.03%	9,921

Total ad valorem taxes levied for the years ended December 31, 2003 and 2002, were \$370,286 and \$359,592, respectively. As of December 31, 2003, ad valorem taxes receivable was \$355,753.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

Note 4. Capital Assets

Capital assets and depreciation activity as of and for the two years ended December 31, 2003 and 2002, are as follows:

	Year Ended December 31, 2003			Balance December 31, 2003
	Balance January 1, 2002	Additions	Retirements	
Land	\$60,000			\$60,000
Buildings and improvements	206,056			206,056
Furniture and equipment	53,957			53,957
Computer automation	67,204			67,204
Total	<u>387,217</u>	<u>NONE</u>	<u>NONE</u>	<u>387,217</u>
Less accumulated depreciation for:				
Buildings and improvements	33,484	\$5,151		38,635
Furniture and equipment	44,719	7,381		52,100
Computer automation	5,590	13,441		19,031
Total	<u>\$83,793</u>	<u>\$25,973</u>	<u>NONE</u>	<u>\$109,766</u>

	Year Ended December 31, 2002			Balance December 31, 2002
	Balance January 1, 2001	Additions	Retirements	
Land	\$60,000			\$60,000
Buildings and improvements	206,056			206,056
Furniture and equipment	53,957			53,957
Computer automation	4,754	\$62,450		67,204
Total	<u>324,767</u>	<u>62,450</u>	<u>NONE</u>	<u>387,217</u>
Less accumulated depreciation for:				
Buildings and improvements	28,333	5,151		33,484
Furniture and equipment	33,928	10,791		44,719
Computer automation	475	5,115		5,590
Total	<u>\$62,736</u>	<u>\$21,057</u>	<u>NONE</u>	<u>\$83,793</u>

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

Note 5. Pension Plan

Plan Description:

Substantially all employees of Morehouse Parish Library are members of Parochial Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Library are members of Plan A.

All permanent employees, working at least 28 hours per week who are paid wholly or in part from parish funds, and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. 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 Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898 4619, or by calling (225)928-1361.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Library 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-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Library are established and may be amended by state statute. As provided by Louisiana

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana
Notes to The Financial Statements

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 Library's contributions to the System under Plan A for the years ended December 31, 2003, 2002, and 2001 were \$11,549, \$11,109 and \$10,683, respectively, equal to the required contributions for each year.

Note 6. 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. The Library carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2003**

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - Non- GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$315,000	\$321,000	\$348,213	\$27,213
State revenue sharing	30,000	30,000	33,182	3,182
State aid grant	15,000	15,000		(15,000)
Fines and forfeitures	1,666	1,666	2,434	768
Charges for services	2,334	2,334	1,986	(348)
Interest and miscellaneous	12,000	9,000	10,480	1,480
Total revenues	<u>376,000</u>	<u>379,000</u>	<u>396,295</u>	<u>17,295</u>
EXPENDITURES				
General government - statutory charges			11,726	(11,726)
Culture and recreation:				
Personal services	233,000	236,000	221,122	14,878
Operating services	102,500	123,500	95,576	27,924
Materials and supplies	17,500	15,000	13,429	1,571
Library materials	50,000	55,000	45,799	9,201
Travel	5,000	10,000	5,334	4,666
Intergovernmental	4,500	2,500	2,280	220
Total expenditures	<u>412,500</u>	<u>442,000</u>	<u>395,266</u>	<u>46,734</u>
NET CHANGE IN FUND BALANCE (NON-GAAP BASIS)	(36,500)	(63,000)	1,029	64,029
FUND BALANCE AT BEGINNING OF YEAR (NON-GAAP BASIS)	<u>176,500</u>	<u>281,000</u>	<u>347,500</u>	<u>66,500</u>
FUND BALANCE AT END OF YEAR (NON-GAAP BASIS)	<u>\$140,000</u>	<u>\$218,000</u>	348,529	<u>\$130,529</u>
ADJUSTMENTS TO GAAP:				
Revenue accruals			355,753	
Deferred revenue accruals			(370,286)	
Expenditure accruals			(2,638)	
FUND BALANCE AT END OF YEAR (GAAP BASIS)			<u>\$331,358</u>	

The accompanying notes are an integral part of this schedule.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS)
AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2002**

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - Non- GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$310,000	\$322,968	\$354,784	\$31,816
State revenue sharing	33,250	32,500	32,959	459
State aid grant	14,250	15,000	15,223	223
Fines and forfeitures	2,000	1,000	2,071	1,071
Charges for services	2,500	1,000	2,903	1,903
Interest and miscellaneous	10,000	10,000	23,096	13,096
Total revenues	<u>372,000</u>	<u>382,468</u>	<u>431,036</u>	<u>48,568</u>
EXPENDITURES				
General government - statutory charges			10,436	(10,436)
Culture and recreation:				
Personal services	216,000	232,056	213,372	18,684
Operating services	93,700	140,000	127,707	12,293
Materials and supplies	18,000	19,000	24,403	(5,403)
Library materials		153,000	41,955	111,045
Travel	5,000	5,000	4,200	800
Intergovernmental	3,500	3,500	2,280	1,220
Capital outlay	190,000		62,450	(62,450)
Total expenditures	<u>526,200</u>	<u>552,556</u>	<u>486,803</u>	<u>65,753</u>
NET CHANGE IN FUND BALANCE (NON-GAAP BASIS)	(154,200)	(170,088)	(55,767)	114,321
FUND BALANCE AT BEGINNING OF YEAR (NON-GAAP BASIS)	<u>290,000</u>	<u>290,000</u>	<u>403,267</u>	<u>113,267</u>
FUND BALANCE AT END OF YEAR (NON-GAAP BASIS)	<u>\$135,800</u>	<u>\$119,912</u>	347,500	<u>\$227,588</u>
ADJUSTMENTS TO GAAP:				
Revenue accruals			339,149	
Deferred revenue accruals			(359,592)	
Expenditure accruals			(10,872)	
FUND BALANCE AT END OF YEAR (GAAP BASIS)			<u>\$316,185</u>	

The accompanying notes are an integral part of this schedule.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Two Years Ended December 31, 2003

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 3.

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Two Years Ended December 31, 2003

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
2001-1	1993	Inadequate Segregation of Duties	N/A	See 2003-2 in current year findings.

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

The following independent auditor's report on compliance 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.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**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
MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana**

I have audited the financial statements of the governmental activities of Morehouse Parish Library, a component unit of Morehouse Parish, as of December 31, 2003, and for the two years then ended, which comprise the library's basic financial statements, and have issued my report thereon dated June 7, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America ; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether Morehouse Parish Library's financial statements are free of material misstatement, I performed tests of the library's 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Morehouse Parish Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Morehouse Parish Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial

**BOARD OF CONTROL
MOREHOUSE PARISH LIBRARY**

**Bastrop, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2003**

statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-1 and 2003-2.

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. My 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 to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the board of control and management of Morehouse Parish Library, and other interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



Calhoun, Louisiana
June 7, 2004

MOREHOUSE PARISH LIBRARY
Bastrop, Louisiana

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**
For the Year Ended December 31, 2003

I have audited the financial statements of Morehouse Parish Library, as of and for the two years ended December 31, 2003, and have issued my report thereon dated June 7, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of and for the two years ended December 31, 2003 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness Yes No

Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statement Yes No

Section II - Financial Statement Findings

2003-1. Need to Improve Controls Over Cash Disbursements

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

Condition: The following deficiencies in internal controls over cash disbursements were noted for the two years ended December 31, 2003:

MOREHOUSE PARISH LIBRARY

Bastrop, Louisiana

Schedule of Findings

For the Year Ended December 31, 2003

1. Eight out of forty-nine (16%) disbursements that I selected for testing were not adequately supported by an original invoice or other supporting documentation.
2. The check amount did not agree to the invoice amount for two of thirty-nine invoices that I examined (5%).

Effect: The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition and or from transactions that are not in accordance with management's authorizations.

Recommendation: I recommend that all disbursements be supported by original invoices or other supporting documentation and that the check amount agree with the total of the invoice.

Management's Response: We will require that all disbursements presented for payment are supported by adequate documentation and that checks are written for the correct amounts.

2003-2. Inadequate Segregation of Duties

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Effect: Not determined.

Recommendation: No action is recommended due to economic and space limitations.

Management's Response: We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.