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ST. TAMMANY PARISH LIBRARY
ANNUAL FINANCIAL STATEMENTS

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

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(A LIMITED LIABILITY COMPANY)

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INDEPENDENT AUDITORS' REPORT

To the Board of Control
St. Tammany Parish Library

We have audited the accompanying basic financial statements of the St. Tammany Parish Library, a component unit of the St. Tammany Parish Council, as of December 31, 2003 and for the year then ended. These financial statements are the responsibility of the Library's management. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany 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.

As described in Note A to the basic financial statements, the Library adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements* as of January 1, 2003. This results in a change in the form and content of the basic financial statements.

The Management's Discussion and Analysis on pages 5 through 9 and the budgetary comparison schedule identified on page 26 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist primarily 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.

To the Board of Control
St. Tammany Parish Library

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

In accordance with *Government Auditing Standards* we have also issued a report dated April 8, 2004, on our consideration of the St. Tammany Parish Library's internal control over financial reporting and on 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 the report in considering the results of our audit.

April 8, 2004

Smith, Heval & Associates, L.L.C.

St. Tammany Parish Library
310 West 21st Avenue
Covington, La. 70433

Management's Discussion and Analysis

St. Tammany Parish Library for 2003

Prepared by: Donald K. Westmoreland



Overview

The following financial analysis is from the perspective of the management of the St. Tammany Parish Library (STPL). This narrative will focus on the financial activity for the calendar year that ended on December 31, 2003. The financial performance is discussed and analyzed within the context of the accompanying financial statements.

Financial Highlights

- ✓ The St. Tammany Parish Library's assets exceeded its liabilities by \$7,180,588 (net assets for the calendar year reported).
- ✓ Total assets are comprised of the following:
 1. Capital assets of \$1,586,215 include property, equipment, books and net of accumulated depreciation.
 2. Current assets of \$5,833,237 represent the portion available to maintain the library's continuing obligations to the citizens and creditors.
- ✓ The net assets of the St. Tammany Parish Library showed a 6% increase (\$444,378) over the prior year.
- ✓ Overall, for the current level of public service, the St. Tammany Parish Library is in a good financial position. Unless there is a building program, the need to rent space to meet the growing public demand for service may threaten our financial viability.

Independent Auditor's Report

Annually, the St. Tammany Parish Library Board of Control hires an independent firm to audit the library's financial statements. For the year 2003 Smith, Huval & Associates, L.L.C. (now merged with LaPorte, Sehr, Romig and Hand) of Covington was selected. The annual library report is forwarded to the Parish Government and becomes part of their annual audit report.

Statement of Government Activities Chart

Revenues:

Taxes:

Property tax	\$3,920,798	91.92%
State revenue sharing	\$ 185,931	4.36%

Other income:

Fines and fees	\$ 124,709	2.92%
Interest from investments	\$ 30,259	0.71%
Miscellaneous	\$ 3,946	0.09%

Total Revenues \$4,265,643 100.00%

Governmental Activities \$3,821,265 100.00%

Change in net assets \$ 444,378

Net assets - beginning \$6,736,210

Net assets – ending \$7,180,588

Explanation of the Government Activities Chart

This chart shows that the bulk of the St. Tammany Parish Library's revenue is generated by the 6.33 mils of property tax dedicated to the library's operation by the citizens of St. Tammany. State revenue sharing, though a small percentage, is the second greatest source of revenue. Fines and fees charged our patrons add very little to the revenue pie. Interest is earned on the balance of unused funds which usually the library collects within the first four months of a calendar year. Those unused funds are invested earlier in the year and are used to pay expenses that occur later in the year. Low interest rates have made investment income negligible. Cash gifts to the library are often given in small donations in memory of another person.

Government activities are actually the expense of running the library. Those expenses would include employee salaries and benefits, professional services, utilities, supplies, books and other library materials, maintenance and upkeep of buildings and grounds, computers and other equipment. The State Library contributes greatly by providing the cost of the library's network and internet access, and supplements the library's material budget with online database access and an interlibrary loan system.

Summary of Net Assets

		Percentage of Total
Assets:		
Current assets	\$5,833,237	78.6%
Capital assets	<u>\$1,586,215</u>	21.4%
Total assets	<u>\$7,419,452</u>	100.0%
Liabilities		
Current liabilities	<u>\$ 238,864</u>	100.0%
Net Assets		
Investment in capital assets, net of related debt	\$1,586,215	22.1%
Unrestricted	<u>\$5,594,373</u>	77.9%
Total net assets	<u>\$7,180,588</u>	100.0%

Explanation of the Summary of Net Assets Chart

Current assets includes a receivable for the annual property tax assessment, the library's investment assets plus the cash on hand. Capital assets total includes the cost of land, and the net depreciation value of assets such as our books, vehicles, computers etc.

Current liabilities represent the value of obligations which are due within the next year. For instance obligations to our medical plan or paying off the balance of employee leave are examples of such obligations. Long-term liabilities are obligations which are due beyond one calendar year. Long-term leasing agreements would be an example of this category.

The St. Tammany Parish Library's total net assets of \$7,180,588 is the difference between total assets (\$7,419,452) and total liabilities (\$238,864).

Capital Assets

Capital assets not being depreciated:

Land	<u>\$200,000</u>
Total non-depreciable	<u>\$200,000</u>

Capital assets being depreciated

Books	\$8,273,706
Vehicles	\$98,865
Computers	\$566,307
Building Improvement	\$328,062
Furniture and equipment	<u>\$261,700</u>
Total capital assets being depreciated	<u>\$9,528,640</u>
Less accumulated total depreciation	<u>\$(8,142,425)</u>
Remaining value - depreciable assets	<u>\$ 1,386,215</u>
Capital assets – net	<u>\$ 1,586,215</u>

Capital Assets

Capital assets – net decreased from \$1,587,168 to \$1,586,215. This was the result of \$600,801 in capital additions and \$601,754 in depreciation. The Library retired \$354,990 in fully depreciated assets.

Contacting the Parish Library's Financial Management

This financial report is designed to provide a general overview of the St. Tammany Parish Library's finances, comply with finance-related laws and regulations, and demonstrate the library's commitment to public accountability. If you have questions about this report or would like additional information, contact Donald K. Westmoreland, Assistant Director of the St. Tammany Parish Library, 310 West 21st Avenue, Covington, LA 70433.

BASIC FINANCIAL STATEMENTS

ST. TAMMANY PARISH LIBRARY

STATEMENT OF NET ASSETS

December 31, 2003

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 360,773
Investments	1,327,919
Receivables - ad valorem taxes	3,949,597
Receivables - revenue sharing	185,931
Other receivables	7,036
Deposits	1,981
Capital assets (net of accumulated depreciation)	<u>1,586,215</u>
 Total assets	 7,419,452
LIABILITIES	
Accrued expenses	77,714
Accrued salaries	22,273
Claims payable	19,091
Noncurrent liabilities:	
Compensated absences	
Due in one year	<u>119,786</u>
 Total liabilities	 <u>238,864</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,586,215
Unrestricted	<u>5,594,373</u>
 Total net assets	 <u>\$ 7,180,588</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH LIBRARY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2003

<u>Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental activities:			
Library	\$ 3,827,904	\$ 6,639	\$ (3,821,265)
Total	<u>\$ 3,827,904</u>	<u>\$ 6,639</u>	<u>\$ (3,821,265)</u>
General revenues:			
Taxes -			
Property taxes			3,920,798
State revenue sharing			185,931
Fines and fees			124,709
Miscellaneous			3,946
Interest and investment earnings			<u>30,259</u>
Total general revenues			<u>4,265,643</u>
Change in net assets			444,378
Net assets - beginning			<u>6,736,210</u>
Net assets - ending			<u>\$ 7,180,588</u>

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

ST. TAMMANY PARISH LIBRARY

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2003

	<u>General Funds</u>
ASSETS	
Cash	\$ 360,773
Investments	1,327,919
Receivables - ad valorem taxes	3,949,597
Receivables - revenue sharing	185,931
Other receivables	7,036
Deposits	<u>1,981</u>
Total assets	<u>\$ 5,833,237</u>
LIABILITIES	
Accrued salaries	\$ 22,273
Accrued expenses	77,714
Claims payable	<u>19,091</u>
Total liabilities	119,078
FUND EQUITY	
Fund balance	
Unreserved	<u>5,714,159</u>
Total fund equity	5,714,159
Total liabilities and fund equity	
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,586,215
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(119,786)</u>
Net assets of governmental activities	<u>\$ 7,180,588</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH LIBRARY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- GOVERNMENTAL FUNDS

For the Year Ended December 31, 2003

	<u>General</u>
REVENUES	
Ad valorem taxes	\$ 3,920,798
Revenue sharing	185,931
Earnings on investments	30,259
Miscellaneous	3,947
Grant	3,698
Donations	2,940
Fines and fees	<u>124,709</u>
Total revenues	4,272,282
EXPENDITURES	
Personnel services	2,371,390
Operating services	763,871
Capital expenditures	<u>680,600</u>
Total expenditures	<u>3,815,861</u>
Excess of revenues over expenditures	456,421
FUND BALANCE - BEGINNING OF YEAR	<u>5,257,738</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,714,159</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2003

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ 456,421
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 capital outlays exceeded depreciation in the current period.	(953)
Change in compensated absences payable	<u>(11,090)</u>
Change in net assets of governmental activities item (page 12)	<u>\$ 444,378</u>

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Library conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies:

1. Reporting Entity

The Library was established by the Parish of St. Tammany (the "Parish") governing authority, under the provisions of Louisiana Revised Statute 25:211. The Library is governed by a Board of Control, which is appointed by the Parish Council. Effective January 1, 1989, the administrative and accounting functions for the Library were transferred to the Board of Control under the provisions of Louisiana Revised Statute 25:215(b)(9); these functions were previously provided by the Parish. During 2003, the Library maintained thirteen branches and an administrative facility, which provide citizens of the Parish access to library materials, books, magazines, compact discs, films and the internet.

As the governing authority of the Parish, for financial reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (parish council) (b) organizations for which the primary governments are financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The Library is a component unit of the Parish because the Parish Council appoints all members of the Library and as such is financially accountable for the Library. The accompanying financial statements present information only on the funds maintained by the Library and do not present information on the parish council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation

The accompanying basic financial statements of the St. Tammany Parish 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 No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds.

Fund Financial Statements (FFS)

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. The General Fund of the Library is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Library or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Presentation - Continued

The Library reports the following major governmental funds:

The General Fund is the primary operating fund of the Library. It accounts for all the financial resources except those that are required to be accounted for in other funds.

3. Measurement Focus/Basis of Accounting

The amounts reflected in the governmental fund financial statements 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 statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The 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, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budget

The Library Board adopted a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the Library Board. Budgeted amounts included in the accompanying financial statements include all amendments. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end. The General Fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Library amended its budget during 2003. These amendments are reflected in the budget comparisons in this report.

5. Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Library may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. At December 31, 2003, the Library's only long-term debt was accrued compensated absences.

7. Capital Assets

All fixed assets are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The Library capitalizes equipment in excess of \$2,500 and improvements in excess of \$12,500. The Library capitalizes all books and other items except for periodicals. The following estimated useful lives and methods are used to compute depreciation:

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets - Continued

Books	5 years	Straight Line
Vehicles	5 years	Straight Line
Furniture and equipment	10 years	Straight Line
Computers	5 years	Straight Line
Building improvements	20 years	Straight Line

Depreciation expense amounted to \$601,754 for the year ended December 31, 2003.

8. Estimates

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

9. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to apply restricted net assets first.

NOTE B - AD VALOREM TAXES

Property taxes for the operations and bond debt service of the Library are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of January 1, 2000. Taxes are due and payable December of the following year.

NOTE C - CASH AND CASH EQUIVALENTS

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

Demand deposits	<u>\$ 360,773</u>
-----------------	-------------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned

ST. TAMMANY PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

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 has \$614,340 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$514,340 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 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 that the fiscal agent has failed to pay deposited funds upon demand.

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2003 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Capital assets being depreciated:				
Books	8,096,380	532,316	(354,990)	8,273,706
Vehicles	98,865	-	-	98,865
Computers	544,394	21,913	-	566,307
Building improvements	323,112	4,950	-	328,062
Furniture and equipment	<u>220,078</u>	<u>41,622</u>	<u>-</u>	<u>261,700</u>
Total capital assets being depreciated	9,282,829	600,801	(354,990)	9,528,640
Less accumulated depreciation for:				
Books	(7,176,489)	(479,810)	354,990	(7,301,309)
Vehicles	(71,300)	(11,775)	-	(83,075)
Computers	(353,176)	(65,844)	-	(419,020)
Building improvements	(88,301)	(16,218)	-	(104,519)
Furniture and equipment	<u>(206,395)</u>	<u>(28,107)</u>	<u>-</u>	<u>(234,502)</u>
Total accumulated depreciation	<u>(7,895,661)</u>	<u>(601,754)</u>	<u>354,990</u>	<u>(8,142,425)</u>
Total capital assets being depreciated - net	<u>1,387,168</u>	<u>(953)</u>	<u>-</u>	<u>1,386,215</u>
Capital assets - net	<u>\$ 1,587,168</u>	<u>\$ (953)</u>	<u>\$ -</u>	<u>\$ 1,586,215</u>

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE E - SELF-INSURANCE

The Library participates in the self insurance fund of its primary government, the St. Tammany Parish Council, for coverage of property, contents and general liability.

The Library has established a self-insurance medical plan for its employees and their covered dependents. The Plan administrator, FARA Benefit Services, is responsible for the approval, processing and payment of claims. The administrator is also responsible for actuarially determining the needed funding of the plan. The plan provides health benefits up to a \$1,000,000 lifetime maximum per covered person. All full-time employees who are regularly scheduled to work at least twenty-eight hours per week and their eligible dependents are eligible for the plan.

The Plan is accounted for in the general fund of the Library. The cost of claims is recorded as an expense when the claims arise. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Claims liabilities include an amount for claims that have been incurred but not paid as of December 31, 2003. These liabilities are reported at their present value of \$19,091. Changes in the balances of claims liabilities during the years ended December 31, 2003, 2002 and 2001, respectively were as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Beginning of year liability	\$ 21,753	\$ 33,657	\$ 32,694
Claims and Changes in Estimates	251,632	163,914	165,723
Claims Payments	<u>(254,294)</u>	<u>(175,818)</u>	<u>(164,760)</u>
Balance at Fiscal Year End	<u>\$ 19,091</u>	<u>\$ 21,753</u>	<u>\$ 33,657</u>

A stop-loss insurance contract executed with an insurance carrier covers aggregate claims in excess of \$254,139 and claims in excess of \$10,000 per single employee, per year.

NOTE F - PENSION PLAN

Substantially all full time employees of the Library are members of Plan A of the State Parochial Employees Retirement System of Louisiana (the "Plan"). The Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE F - PENSION PLAN (Continued)

All permanent employees working at least 28 hours per week and who are paid wholly or in part from Library funds are eligible to participate in the Plan. Employees who retire at or after age 60 with at least ten years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service, are entitled to a retirement benefit. This benefit is payable monthly for life and is equal to 3 percent of their final average salary for each year of credited service. Final average salary is the employee's average salary over the 36 consecutive or joined months which produce the highest average.

Employees who terminate with at least the amount of credited service stated previously, and who do not withdraw their employee contributions, may retire at the age specified previously and receive the benefit accrued to their date of termination. The Plan also provides death and disability benefits. Benefits are established by state statute.

The Plan issues an annual publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Parochial Employees Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana, 70898-4619, or by calling (225) 928-1361.

Contributions to the Plan include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish except Orleans and East Baton Rouge parishes. For the year ended December 31, 2003, State statute required employees to contribute 9.5 percent of their salary to the plan, and the Library must contribute 7.75 percent of the taxable wages of each employee as an employer match. As provided by LRS 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior year.

The Library's contributions to the Plan for the years ended December 31, 2003, 2002 and 2001 were \$126,148, \$113,408, and \$114,801, respectively. These amounts were equal to the required contributions each year.

NOTE G - STATE REVENUE SHARING

State revenue sharing is an arrangement whereby local governments are reimbursed by the State for ad valorem taxes not billed due to the homestead exemption.

The Library recognized revenue from state revenue sharing of \$185,931 for the year ended December 31, 2003. Receivables for state revenue sharing for the year ended December 31, 2003 was \$185,931.

ST. TAMMANY PARISH LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE H - OPERATING LEASES

The Library leases the Pontchartrain branch facility in Slidell, the Causeway Branch in Mandeville, and its technical services building. These leases have been classified as operating leases and as such, rental payments have been recorded as an operating expenditure. Total rent expense for the year ended December 31, 2003 was \$91,932. Future minimum lease payments are as follows:

2004	\$ 41,719
2005	19,800
2006	19,800
2007	<u>3,300</u>
	<u>\$ 84,619</u>

NOTE I - INVESTMENTS

At December 31, 2003, investments of \$1,327,919 consists of United States treasury bills carried at market values using published market quotes. These investments are considered Category 2 investment risk, which includes investments for which the securities are held by the counterpart's trust department in the Library's name.

NOTE J - COMPENSATION OF BOARD MEMBERS

No compensation was paid to board members for the year ended December 31, 2003.

NOTE K - DEFERRED COMPENSATION PLAN

The St. Tammany Parish Library offers its employees deferred compensation under the Louisiana Public Employees Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan is not available to employees until retirement, death, termination, disability or financial hardship.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use.

It is the opinion of the Library's legal counsel that the Library has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

REQUIRED SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2003

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Ad valorem taxes	\$ 3,425,000	\$ 3,606,000	\$ 3,920,798	\$ 314,798
Revenue sharing	186,500	185,806	185,931	125
Earnings on investments	65,000	65,000	30,259	(34,741)
Fines and taxes	125,000	125,000	124,709	(291)
Grant	60,000	60,000	3,698	(56,302)
Donations	5,000	5,000	2,940	(2,060)
Miscellaneous			3,947	3,947
Total revenues	3,866,500	4,046,806	4,272,282	225,476
EXPENDITURES				
Personnel services	2,471,900	2,421,900	2,371,390	50,510
Operating services	800,600	855,400	763,871	91,529
Capital services	593,000	769,500	680,600	88,900
Total expenditures	3,865,500	4,046,800	3,815,861	230,939
Excess of revenues over expenditures	\$ 1,000	\$ 6	\$ 456,421	\$ 456,415

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PARISH LIBRARY

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended December 31, 2003

PERSONNEL SERVICES

Salaries and wages	\$ 1,893,177
Health insurance	288,233
Payroll taxes	35,694
Retirement	144,762
Workers compensation	<u>9,524</u>

\$ 2,371,390

OPERATING SERVICES

Adult programming	\$ 9,317
Assessor	5,726
Bank charges	6,248
Book preparation	22,163
Communications	27,809
Custodial, grounds and lawn	110,225
Insurance	97,639
Lease expense	91,932
Legal and professional	44,050
Maintenance supplies	3,498
Office supplies	18,206
Other	2,981
Patron cards	3,492
Postage	4,638
Printing	5,459
Programming supplies	3,833
Repairs and maintenance	97,380
Security	9,623
Small tools	10,041
Summer reading program	26,799
Travel and conventions	28,677
Utilities	129,271
Walker Percy symposium	<u>4,864</u>

\$ 763,871

ST. TAMMANY PARISH LIBRARY

SCHEDULE OF GENERAL FUND EXPENDITURES (CONTINUED)

For the Year Ended December 31, 2003

CAPITAL EXPENDITURES

Adult books	\$ 223,870
Audio/visual equipment	16,085
Audio recordings	41,340
Compact disc rom	7,365
Genealogy	7,975
Improvements	4,950
Internet database	13,132
Juvenile books	104,764
Integrated library automation system	7,043
Microfilm	30,900
Office equipment and furniture	45,381
Personal computer network	29,833
Periodicals	32,471
Reference	85,381
Video recordings	<u>30,110</u>
	<u>\$ 680,600</u>

ST. TAMMANY PARISH LIBRARY
SCHEDULE OF GOVERNING BOARD

December 31, 2003

<u>Board of Control</u>	<u>Term of Office</u>	<u>Compensation</u>
Barbara Morgan 63239 N. Sun Moore Road Pearl River, LA 70452	December 31, 2003	-0-
Dr. Argiro Morgan 103 Brandon Place Mandeville, LA 70471	December 31, 2003	-0-
Kristin Lyons P.O. Box 464 Slidell, LA 70459	December 31, 2003	-0-
Margaret Cammatte 47 Lurline Drive Covington, LA 70433	December 31, 2003	-0-
Silvia Muller 109 Maple Ridge Way Covington, LA 70433	December 31, 2003	-0-
Kristen Scott 61202 W. Springmill Drive Lacombe, LA 70445	December 31, 2003	-0-
Ann Torczon 27 Holly Drive Covington, LA 70435	December 31, 2003	-0-

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 3790

Covington, Louisiana 70434-3790

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington
(985) 892-4666 - FAX

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

To the Board of Control
St. Tammany Parish Library

We have audited the financial statements of the St. Tammany Parish Library as of and for the year ended December 31, 2003 and have issued our report thereon dated April 8, 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.

As part of obtaining reasonable assurance about whether the St. Tammany 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 that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the St. Tammany 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

April 8, 2004

Smith, Huval & Associates, L.L.C.