

ST. TAMMANY PARISH LIBRARY

Annual Financial Statements

December 31, 2013

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Independent Auditor's Report

To the Board of Control
St. Tammany Parish Library

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Tammany Parish Library (the Library), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library as of December 31, 2013, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has elected to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements as a whole. The accompanying information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014, on our consideration of St. Tammany Parish Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 25, 2014

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. TAMMANY PARISH LIBRARY
Statement of Net Position
December 31, 2013

	Governmental Activities
Assets	
Cash	\$ 5,195,793
Intergovernmental Receivable - Ad Valorem Taxes, Net	8,455,819
Intergovernmental Receivable - State Revenue Sharing	212,174
Due from Primary Government	100,000
Other Receivables	2,854
Deposits	1,981
Capital Assets, Net of Accumulated Depreciation	<u>2,595,083</u>
Total Assets	<u>16,563,704</u>
Liabilities	
Accounts Payable	105,097
Accrued Payroll Liabilities	289,187
Claims Payable	28,034
Compensated Absences	<u>327,266</u>
Total Liabilities	<u>749,584</u>
Net Position	
Net Investment in Capital Assets	2,595,083
Unrestricted	<u>13,219,037</u>
Total Net Position	<u>\$ 15,814,120</u>

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

ST. TAMMANY PARISH LIBRARY
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Library	\$ 9,030,134	\$ 163,238	\$ 24,743	\$ (8,842,153)
General Revenues				
Intergovernmental Revenue - Ad Valorem Taxes				8,773,871
Intergovernmental Revenue - State Revenue Sharing				212,174
Miscellaneous Revenues				115,860
Earnings on Investments				11,332
Total General Revenues				<u>9,113,237</u>
Change in Net Position				271,084
Net Position, Beginning of Year				<u>15,543,036</u>
Net Position, End of Year				<u>\$ 15,814,120</u>

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

**FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUND**

ST. TAMMANY PARISH LIBRARY
Balance Sheet
Governmental Fund
December 31, 2013

	General Fund
Assets	
Cash	\$ 5,195,793
Intergovernmental Receivable - Ad Valorem Taxes, Net	8,455,819
Intergovernmental Receivable - State Revenue Sharing	212,174
Due from Primary Government	100,000
Other Receivables	2,854
Deposits	1,981
Total Assets	\$ 13,968,621
Liabilities	
Accounts Payable	\$ 105,097
Accrued Payroll Liabilities	289,187
Claims Payable	28,034
Total Liabilities	422,318
Deferred Inflows	
Unavailable Ad Valorem Taxes	260,831
Total Deferred Inflows	260,831
Fund Balance	
Assigned for:	
Madisonville Branch Furniture and Fixtures	120,509
Madisonville Branch Artwork	50,049
Unassigned	13,114,914
Total Fund Balance	13,285,472
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 13,968,621
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	
Total Fund Balance	\$ 13,285,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,595,083
Deferred Inflow - Unavailable Ad Valorem Taxes are not reported on government-wide financial statements	260,831
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(327,266)
Net Position of Governmental Activities	\$ 15,814,120

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

ST. TAMMANY PARISH LIBRARY
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2013

	General Fund
Revenues	
Intergovernmental Revenue - Ad Valorem Taxes	\$ 9,072,925
Intergovernmental Revenue - State Revenue Sharing	212,174
Fines and Fees	163,238
Miscellaneous Revenues	115,860
Donations	24,743
Earnings on Investments	<u>11,332</u>
Total Revenues	<u>9,600,272</u>
Expenditures	
Library	
Personnel Services	5,372,169
Operating Services	1,695,509
Debt Service	
Transfer to St. Tammany Parish	407,094
Capital Outlay	<u>2,203,482</u>
Total Expenditures	<u>9,678,254</u>
Net Change in Fund Balance	<u>(77,982)</u>
Fund Balance, Beginning of Year, as Previously Reported	13,923,339
Cumulative Effect of Change from Adoption of Accounting Principle	<u>(559,885)</u>
Fund Balance, Beginning of Year, Restated	<u>13,363,454</u>
Fund Balance, End of Year	<u>\$ 13,285,472</u>

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

ST. TAMMANY PARISH LIBRARY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund to the
Statement of Activities
For the Year Ended December 31, 2013

Net Change in Fund Balance - Total Governmental Fund	\$ (77,982)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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.</p>	675,561
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund - change in unavailable ad valorem taxes</p>	(299,054)
<p>Change in Compensated Absences Payable</p>	<u>(27,441)</u>
<p>Change in Net Position of Governmental Activities</p>	<u><u>\$ 271,084</u></u>

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

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St. Tammany Parish Library (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.

Reporting Entity

The Library was established by St. Tammany Parish, Louisiana (the Parish) under the provisions of Louisiana Revised Statute (LRS) 25:211. The Library is governed by a Board of Control (the Board), which is appointed by the Parish. 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 2013, the Library maintained eleven branches, a business resource center, and an administrative facility, which provide citizens of the Parish access to library materials, books, magazines, compact discs, films, and the internet.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is 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, as amended, established criteria for determining which component units should be considered part of the Parish 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 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, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

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 No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Library's basic financial statements include both government-wide and fund financial statements. The Library currently has only one fund, the general fund, which is reported as a governmental activity.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on the governmental activities using the full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of the Library's primary function are offset by program revenues. Direct expenses are those that are clearly identifiable to the Library program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Library program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Library program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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 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 the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The general fund is the primary operating and sole fund of the Library. It accounts for all the financial transactions and is classified as a governmental fund type. The focus of the governmental fund's measurement is upon the determination of financial position and changes in financial position rather than upon net income.

Measurement Focus / Basis of Accounting

The government-wide financial statements are accounted for using an "economic resources" measurement focus. All assets and liabilities (whether current or non-current) are reported.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting (Continued)

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

The amounts reflected in the governmental fund financial statements are accounted for using the 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 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 the government-wide financial statements.

The amounts reflected in the governmental fund financial statements are presented on 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 any general long-term debt, which would be recognized when payment is 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.

Ad valorem taxes are considered to be collected when they are collected by the St. Tammany Parish Sheriff. Ad valorem taxes collected after 60 days are recorded as a deferred inflow on the governmental fund balance sheet. State revenue sharing associated with the current fiscal period is considered susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Budget and Budgetary Accounting

The Board has 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 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 2013. These amendments are reflected in the budget comparison schedule of this report.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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 Library 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.

Receivables

Receivables are reported net of estimated uncollectible amounts. The allowance for uncollectible amounts is \$458,538, which represents 5% of the total ad valorem tax receivable at December 31, 2013. This estimate is based on the Library's history of collections within this revenue stream.

Capital Assets

Capital assets, which include property, vehicles, furniture and equipment, computers, and building improvements, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Depreciation of all exhaustible capital assets is charged as an expense against the Library's operations. In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

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 \$25,000. The Library capitalizes all books and other items except for periodicals and reference materials.

The following estimated useful lives and methods are used to compute depreciation:

Books	5 Years	Straight-Line
Vehicles	5 Years	Straight-Line
Furniture and Equipment	5 - 10 Years	Straight-Line
Computers	5 Years	Straight-Line
Building Improvements	20 Years	Straight-Line

Depreciation expense amounted to \$689,514, for the year ended December 31, 2013.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Library's policy allows employees to accumulate unused vacation and sick leave on an unlimited basis. Employees earn annual vacation leave and sick leave based on the number of years of service, as follows:

Years of Service	Annual Time Earned	
	Vacation	Sick
1 to 15 Years	15 Days	12.5 Days
Greater than 15 Years	20 Days	12.5 Days

Upon termination of service, employees are entitled to be paid for any unused vacation leave and one-third of the accumulated sick leave. The remainder of the sick leave is forfeited upon termination, but will be paid only upon illness while in the employ of the Library. The non-current portion (amounts estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position, and represents a reconciling item between the fund and government-wide presentations.

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 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.

Fund Equity

Government-wide net position is divided into three components:

1. *Net investment in capital assets* - consists of the historical cost of capital assets including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted* - consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted* - all other net position is reported in this category.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Equity (Continued)

In the governmental fund financial statements, fund balances are classified as follows:

1. *Assigned Fund Balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
2. *Unassigned Fund Balance* - all amounts not included in other spendable classifications.

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

Cumulative Effect of Change in Accounting Principle

The Library adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. The significant change as the result of implementation was that the receivable for ad valorem taxes in the general fund was limited to that collected within the first 60 days of 2014. Also, the amount received after the first 60 days of 2014 is recorded as a deferred inflow - unavailable taxes. As a result, the Library recorded a negative cumulative effect of change in accounting principle of \$559,885.

Note 2. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents (book balances) at December 31, 2013:

Demand Deposits	<u>\$ 5,195,793</u>
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These deposits are stated at cost, which approximates market.

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$5,140,459 of the Library's bank balance totaling \$5,390,459 was exposed to custodial credit risk. \$250,000 of deposits was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 473,285	\$ -	\$ -	\$ 473,285
Total Capital Assets Not Being Depreciated	473,285	-	-	473,285
Capital Assets Being Depreciated				
Books	8,021,786	626,394	(752,360)	7,895,820
Vehicles	215,835	-	-	215,835
Computers	194,132	3,379	-	197,511
Building Improvements	546,270	183,778	-	730,048
Furniture and Equipment	434,974	551,524	-	986,498
Total Capital Assets Being Depreciated	9,412,997	1,365,075	(752,360)	10,025,712
Less Accumulated Depreciation for:				
Books	(6,847,648)	(635,501)	752,360	(6,730,789)
Vehicles	(215,835)	-	-	(215,835)
Computers	(174,432)	(5,526)	-	(179,958)
Building Improvements	(318,247)	(22,933)	-	(341,180)
Furniture and Equipment	(410,598)	(25,554)	-	(436,152)
Total Accumulated Depreciation	(7,966,760)	(689,514)	752,360	(7,903,914)
Total Capital Assets Being Depreciated - Net	1,446,237	675,561	-	2,121,798
Capital Assets - Net	\$ 1,919,522	\$ 675,561	\$ -	\$ 2,595,083

Note 4. Ad Valorem Taxes

Intergovernmental ad valorem taxes for the operations of the Library are normally levied each November on the assessed value listed as of the prior January 1st 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 re-evaluation of all property is required to be completed no less than every four years. The last re-evaluation was completed as of November 28, 2012. Taxes are due and payable by December 31st in the year levied and become delinquent thereafter. Taxes are collected by the St. Tammany Parish Sheriff's Office and remitted to the Parish, which passes the dedicated millage through to the Library.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 5. 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. These intergovernmental revenues are received by St. Tammany Parish and passed through to the Library.

The Library recognized revenue from state revenue sharing of \$212,174, for the year ended December 31, 2013. Receivables for state revenue sharing for the year ended December 31, 2013, were \$212,174.

Note 7. Risk Management

The Library participates in the self-insurance fund of its primary government, St. Tammany Parish, 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 is responsible for the approval, processing, and payment of claims. The plan 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 and is recorded in the governmental activities in the statement of net position.

Claims liabilities include an amount for claims that have been incurred but not paid as of December 31, 2013. These liabilities are reported at their present value of \$28,034. Changes in the balances of claims liabilities during the years ended December 31, 2013, 2012, and 2011, were as follows:

	2013	2012	2011
Beginning of Year Liability	\$ 33,499	\$ 5,061	\$ 16,317
Claims and Changes in Estimates	500,323	357,273	283,360
Claims Payments	(505,788)	(328,835)	(294,616)
Balance at Fiscal Year End	\$ 28,034	\$ 33,499	\$ 5,061

A stop-loss insurance contract executed with an insurance carrier covers aggregate claims in excess of \$434,810 and claims in excess of \$25,000 per single employee per year. The amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 8. Pension Plan

The Library contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the Parochial Employees' Retirement System of Louisiana (PERS). PERS was established by the Louisiana Legislature as of January 1, 1953, by Act 205 of 1952. PERS is administered by a Board of Trustees consisting of seven members. The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling 225-928-1361.

Plan Description

All permanent employees working at least 28 hours per week and who are paid wholly or in part from Library funds shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

Any member can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service
2. Age 55 with a minimum of twenty-five (25) years of creditable service
3. Age 60 with a minimum of ten (10) years of creditable service
4. Age 65 with a minimum of seven (7) years of creditable service

For employees hired after January 1, 2007:

1. Age 55 with a minimum of thirty (30) years of creditable service
2. Age 62 with a minimum of ten (10) years of creditable service
3. Age 67 with a minimum of seven (7) years of creditable service

The retirement benefit is generally 1% of the member's final compensation plus \$2 per month for each year of service credited prior to January 1, 1980, and 3% of final average compensation for each year of service after that date. 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. PERS also provides death and disability benefits. Benefits are established by state statute.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 8. Pension Plan (Continued)

Funding Policy

Contributions to PERS 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. PERS' members are required to contribute 9.5% of their annual covered salary. The Library is required to contribute at an actuarially determined rate. The current rate is 16.75% of annual covered salary for the year ended December 31, 2013. 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 PERS for the years ended December 31, 2013, 2012, and 2011 were \$584,066, \$490,210, and \$470,505, respectively, which is equal to the required contribution.

Note 9. Deferred Compensation Plan

Certain employees of the Library participate in the Louisiana Public Employees Deferred Compensation Plan (the Plan) adopted under the provisions of the Internal Revenue Code, Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

Note 10. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in Note 8, the Library provides post employment healthcare benefits, to employees under 65 years of age who retire from the Library in accordance with criteria listed in Note 8 and, in addition, have at least five years of employment in the Library system, and have participated in the health insurance plan for the three years prior to retirement. The Library will pay a proportionate share of the health insurance cost based on the years of service. Currently twelve active employees meet those eligibility requirements and two people are receiving benefits.

In 2011, the Library added a second provision for retired employees 65 years or older who qualify to retire under PERS. The provision states that the Library will pay 75% of the cost of a Medicare supplement plan costing no more than \$150 per month. At December 31, 2013, there were 2 individuals receiving benefits.

GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, became effective for the Library during fiscal year 2008. This statement addresses how state and local governments should account for and report costs and obligations related to post employment benefits. The Library qualifies to calculate their annual OPEB cost using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than one hundred total plan members. Management has evaluated this calculation and has determined the application of this statement will have no material impact to the financial statements; therefore, no liability has been recorded for the future payments of these benefits.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 10. Other Post Employment Benefits (OPEB) (Continued)

Benefits are offered at the discretion of the Board and the plan document is reviewed annually for necessary amendments based on budgetary projections. It is the intent of the Library to offer health care coverage for those eligible retirees as long as the Library offers a health care plan to their active employees, but no obligation to pay benefits exists.

Note 11. Operating Leases

The Library leases the Causeway Branch in Mandeville, the Black River Branch, its new reference center, 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 under these leases for the year ended December 31, 2013, was \$209,794. Future minimum lease payments are as follows:

2014	\$ 186,034
2015	179,834
2016	179,834
2017	162,377
2018	<u>116,736</u>
Total	<u>\$ 824,815</u>

Note 12. Compensation of Board Members

No compensation was paid to Board Members for the year ended December 31, 2013.

Note 13. Commitments

On May 1, 2008, St. Tammany Parish approved a resolution to issue Limited Tax Revenue Bonds not to exceed \$5,000,000. These bonds were issued on July 1, 2008 for the purpose of constructing, acquiring, and improving public library facilities, furnishings, and equipment, and paying the costs incurred in connection with the issuance. The bonds range from 4% - 4.25% with final principal maturing on March 1, 2025. Principal is due annually on March 1st beginning in 2009, and interest is due semi-annually on March 1st and September 1st beginning in 2009.

This debt and any acquired assets are part of the Parish and are not reflected within the accompanying financial statements of the Library. The Parish pledged the Library's dedicated millage for the repayment of these bonds and is reducing ad valorem tax revenue payments to the Library by the amount of the debt service.

ST. TAMMANY PARISH LIBRARY

Notes to Financial Statements

Note 13. Commitments (Continued)

The total amount paid to the Parish during 2013 amounted to \$407,094, and is recorded as an operating services expense for intergovernmental payments as they come due. Future commitments of ad valorem tax revenues to the Parish are as follows:

2014	\$ 407,294
2015	411,994
2016	411,194
2017	414,894
2018	417,994
Thereafter	<u>2,984,901</u>
Total	<u>\$ 5,048,271</u>

Note 14. Contingencies

In 2012, the Library instructed St. Tammany Parish to withhold \$100,000 from their ad valorem revenue payments to be held in the event that expenses for the construction of the Madisonville Branch Library exceed budget. If funds are unused upon completion of the project, the funds were to be given back to the Library or held for a future capital project. The Library completed the Madisonville Branch Library during 2013. At December 31, 2013, St. Tammany Parish had not yet returned the funds back to the Library. This amount is reflected as a due from primary government in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY LIBRARY
Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2013

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental Revenue - Ad Valorem Taxes	\$ 8,559,000	\$ 8,619,000	\$ 9,072,925	\$ 453,925
Intergovernmental Revenue - State Revenue Sharing	215,000	216,975	212,174	(4,801)
Fines and Fees	175,000	175,000	163,238	(11,762)
Grants	60,000	75,000	-	(75,000)
Donations	30,000	30,000	24,743	(5,257)
Earnings on Investments	25,000	12,500	11,332	(1,168)
Miscellaneous Revenue	2,000	1,100	115,860	114,760
Total Revenues	9,066,000	9,129,575	9,600,272	470,697
Expenditures				
Library				
Personnel Services	5,224,700	5,468,700	5,372,169	96,531
Operating Services	1,864,000	1,787,500	1,695,509	91,991
Debt Service				
Transfer to St. Tammany Parish	410,000	407,000	407,094	(94)
Capital Outlay	2,662,500	3,216,300	2,203,482	1,012,818
Total Expenditures	10,161,200	10,879,500	9,678,254	1,201,246
Net Change in Fund Balance	\$ (1,095,200)	\$ (1,749,925)	(77,982)	\$ 1,671,943
Fund Balance, Beginning of Year, as Previously Reported			13,923,339	
Cumulative Effect of Change from Adoption of Accounting Principle			(559,885)	
Fund Balance, Beginning of Year, Restated			13,363,454	
Fund Balance, End of Year			\$ 13,285,472	

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH LIBRARY
Schedule of General Fund Expenditures
For the Year Ended December 31, 2013

Personnel Services	
Salaries and Wages	\$ 3,908,544
Employee Benefits	<u>1,463,625</u>
Total Personnel Services	<u>\$ 5,372,169</u>
Operating Services	
Maintenance of Property and Equipment	\$ 376,091
Utilities	239,228
Building and Equipment Leases	219,842
Communications	177,182
Operating Supplies	155,178
Insurance and Claims	153,089
Maintenance of Services (Buildings)	147,795
Public Relations/Programming	84,455
Travel and Continuing Education	57,380
Professional Services	49,468
Printing, Duplicating, and Binding	15,579
Advertising, Dues, and Subscriptions	8,880
Signage	6,320
Promotional Production	<u>5,022</u>
Total Operating Services	<u>\$ 1,695,509</u>
Capital Expenditures	
Capital Outlay - Library Resource Acquisitions	\$ 1,240,728
Capital Outlay - Non-Book Acquisitions	<u>962,754</u>
Total Capital Expenditures	<u>\$ 2,203,482</u>

ST. TAMMANY PARISH LIBRARY
Schedule of Governing Board
December 31, 2013

<u>Board of Control</u>	<u>Term of Office</u>	<u>Compensation</u>
Dr. Argiro Morgan 103 Brandon Place Mandeville, LA 70471	July 12, 2015	\$-0-
Barbara Morgan 63239 N. Sun Moore Road Pearl River, LA 70452	July 12, 2015	\$-0-
Silvia Muller 109 Maple Ridge Way Covington, LA 70433	July 12, 2015	\$-0-
Mary Reneau 102 Augusta Court Slidell, LA 70460	July 12, 2015	\$-0-
Bill Allin 16 Bluebird Road Covington, LA 70433	March 22, 2015	\$-0-
Rebecca Taylor 35621 Garden Drive Slidell, LA 70460	July 12, 2015	\$-0-
John Danjean 36449 Frank Jackley Road Pearl River, LA 70452	July 12, 2015	\$-0-

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

Independent Auditor's Report

To the Board of Control
St. Tammany Parish Library

We have audited, 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, the financial statements of the governmental activities and the major fund of St. Tammany Parish Library (the Library), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated April 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Tammany Parish Library's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Tammany Parish Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Tammany Parish Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 25, 2014