

2043

LIVINGSTON PARISH LIBRARY COMMISSION

REPORT ON AUDIT OF COMPONENT UNIT  
FINANCIAL STATEMENTS

DECEMBER 31, 2007

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 7-30-08

## CONTENTS

Independent Auditor's Report.....	Page 1 - 2
Required Supplemental Information:	
Management's Discussion and Analysis.....	3 - 7
Government-Wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Fund.....	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund.....	15 - 16
Notes to Financial Statements.....	17 - 26
Other Supplementary Information:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Component Unit Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	27 - 28
Schedule of Findings and Questioned Costs.....	29 - 30
Summary Schedule of Prior Year Findings.....	31 - 35



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June 23, 2008

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Livingston Parish Library Commission  
Livingston, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of the Livingston Parish Library Commission, a component unit of the Livingston Parish Council as of and for the year ended December 31, 2007, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 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 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 Livingston Parish Library Commission, as of December 31, 2007, and the budgetary comparison for the General Fund, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 23, 2008, on our consideration of Livingston Parish Library Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 our audit performed in accordance with Governmental Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages three through seven 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Harold J. Bouglais, LLP*

Livingston Parish Library Commission

13986 Florida Blvd  
Livingston, LA 70754

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2007

**General Information**

The Livingston Parish Library Commission is a public library established in 1946 to assemble, organize, maintain and make easily available a collection of books and other materials to provide for the recreational, informational, and educational needs of the citizens of the parish of Livingston.

Management's discussion and analysis (MD&A) is a required element of the new reporting model adopted by the Governmental Accounting Standard's Board (GASB) in their statement number 34. Its purpose is to provide an overview of the financial activities of the Livingston Parish Library Commission based on currently known facts, decisions, or conditions. The basic financial statements include: (1) Government-Wide financial statements, (2) Fund financial statements and (3) Notes to the Basic Financial Statements.

**Government-Wide Financial Statements**

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

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all of the Parish Library's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Parish Library as a whole is improving or deteriorating. Evaluation of the overall health of the Parish Library would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Parish Library infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the Parish Library's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Parish Library's distinct activities or functions on revenues provided by the Parish Library's taxpayers.

The Government -Wide financial statements are presented on pages 8 and 9 of this report.

**Fund Financial Statements**

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

The Parish Library uses only one fund type:

The Governmental fund is reported in the fund financial statements and encompasses the same function reported as governmental activities in the governmental-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Parish Library's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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

The basic governmental fund financial statements are presented on pages 10-16 of this report.

### **Notes to the Basic Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

### **Financial Highlights**

Ad valorem taxes reflect a 10.00 mill tax approved by the voters in 2005. The ad valorem tax expires in 2014. This 10.00 mills resulted in \$2,648,560 in ad valorem receipts collected in fiscal year 2007 and \$2,420,162 for 2006.

Total revenue reflected is \$3,151,971 for 2007 and \$2,898,629 for 2006. This revenue includes parish ad valorem taxes, state revenue sharing, interest, grant funds, charges for photocopies and faxes, gifts, and fines.

Library expenditures for 2007 total \$2,542,624 and totaled \$4,547,223 for 2006. Overall, the net expenditures were down \$2,004,599 due to the new facilities' being completed and operational.

Increases in salary expense and related benefits pushed the Administration expenses higher by approximately \$433,000 as the new facilities were operational for most of the year. In addition, operating services expenditures in 2007 increased by approximately \$118,000 for the same reason. Capital Outlay decreased approximately \$253,000 as outfitting each of the new facilities were completed. Construction for the parish libraries was handled by the Parish Council through a construction fund which was funded by a parish general obligation bond in the amount of \$8,900,000. Intergovernmental transfers to the Parish Council of \$2,500,000 for new library construction costs in excess of the bond proceeds accounted for the majority of the net increase in expenditures during 2006. In 2007, only \$180,442 was transferred to the Parish Council thus reducing expenditures by approximately \$2,320,000

### **Revenue**

The library's revenue consists of a parish-wide property tax of 10.00 mills, state revenue sharing, state aid to public libraries, interest earnings, gifts, and miscellaneous fees and forfeitures.

In 2007, the Livingston Parish Library Commission experienced a growth of 9.44% in ad valorem tax revenue. Interest income has decreased as rates have fallen and the Commission has transferred funds to help pay for construction of the new library facilities. Fines and Lost Book income increased due to the new facilities. Grant revenue increased due to an increase in the State Aid Grant amount distributed by the State Library. There was a decrease in the Donations to the Library, possibly due to economic issues.

## Expenditures

Expenditures include: library administration - personnel salaries and benefits; operating services - utilities, communications, maintenance of grounds, buildings, and equipment, insurance on facilities, grounds and vehicles; materials and supplies - office, buildings, grounds, vehicle, and machinery and equipment, major repairs, and library materials; intergovernmental expenditures - contributions to retirement systems and intergovernmental service charges.

### *Library Administration*

Administration costs increased significantly due to increased employee benefit rates and increase in the number of salaried employees as the Commission prepares for the increase of patronage caused by the opening of new facilities and increased service hours.

### *Capital Outlay*

Capital Outlay costs decreased due to fewer construction-related costs for 2007.

### *Intergovernmental Expenditures*

Contributions to Retirement Systems as a cost of collecting property taxes increased again in 2007 as the amount of property taxes collected increased. Intergovernmental transfers out decreased as all of the new facilities were completed in 2007.

## Overview of the Financial Statements

### Livingston Parish Library - Operations and Maintenance

<b><u>Operating Revenues by Source</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>Increases (Decreases)</u></b>
Ad Valorem	\$2,648,560	\$2,420,162	\$ 228,398
State Revenue Sharing	129,386	121,701	7,685
Grants	76,579	53,830	22,749
Fines and Fees	36,390	30,425	5,965
Donations	646	4,685	(4,039)
Interest Income	230,721	262,526	(31,805)
Other Revenues	29,689	5,300	24,389
<b>Total Revenues</b>	<b>3,151,971</b>	<b>2,898,629</b>	<b>253,342</b>
<b><u>Operating Expenditures by Purpose</u></b>			
Library Administration	1,540,986	1,108,726	432,260
Operating Services	321,314	203,726	117,588
Travel	5,089	1,992	3,097
Capital Outlay	323,185	575,822	(252,637)
Materials and Supplies	61,184	55,240	5,944
Intergovernmental Expenditures	290,866	2,601,717	(2,310,851)
<b>Total Operating Expenditures</b>	<b>2,542,624</b>	<b>4,547,223</b>	<b>(2,004,599)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 609,347</b>	<b>\$ (1,648,594)</b>	<b>\$ 2,257,941</b>

## Variations Between Original and Final Budgets

The original and final budgets varied somewhat. The total revenue budget was increased by \$483,089. *Property Tax Revenues* were increased by \$462,066 due to the increased assessed values for 2007. *Interest Income* was decreased by \$16,000 due to transfer of CDs for increased construction costs and due to falling interest rates on certificates of deposits. Other income was increased by \$25,050 to account for the income now being received for the use of the Library's copy machines.

The total expenditure budget was increased by \$1,256,592. The largest increase was \$1,000,000 in Intergovernmental Transfers Out. This was to accommodate the Parish Council for their requests for reimbursement of construction funds. Only \$180,442 was required to be spent in 2007. Other increases occurred in Library Administration of \$163,177 and in operating services of \$79,155. Each of these increases were caused because of the increased cost of operations of the new facilities.

## Capital Asset and Debt Administration

**Capital assets.** The Library's investment in capital assets as of December 31, 2007, amounts to \$2,347,636 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and the Library collection. The total increase in the Library's investment in capital assets for the current fiscal year was 2%. Current year asset additions amounted to \$323,185 while depreciation expense for the year was \$271,362, thereby, increasing the investment in capital assets by \$51,823.

### Livingston Parish Library Commission Schedule of Capital Assets Net of Depreciation

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance at December 31, 2006</u>
Land	\$ 938,427	\$ -	\$ 938,427
Building	534,214	165,746	368,468
Furniture and Equipment	540,533	364,180	176,353
Vehicles	16,365	16,365	-
Library Collection	<u>1,838,148</u>	<u>973,760</u>	<u>864,388</u>
	<u>\$3,867,687</u>	<u>\$1,520,051</u>	<u>\$2,347,636</u>

Additional information on the Library Commission's capital assets can be found in Note 3 on page 22 of this report.

**Long-Term Debt.** On March 1, 2004, General Obligation Bonds in the amount of \$8,900,000 were issued. The proceeds of these bonds will be used to pay the cost of construction and acquiring and improving the public libraries of Livingston Parish. These bonds will be payable from the annual levy and collection of ad valorem taxes on all the taxable property within the Parish as approved by the voters of Livingston Parish on October 4, 2003. The bonds were issued in the name of the Livingston Parish Council and hence are recorded on the books of the Livingston Parish Council. The Council will administer the construction funds as they are spent on the construction of the new libraries. In addition, the Council will collect and administer the ad valorem taxes to be collected and used to repay the outstanding bonds. As of December 31, 2007, construction has been completed at the branch sites. Only final payments remain due.

## **Economic Factors and Next Year's Budget**

Capital Outlay expenditures may increase again in 2008, if the opportunity arises to purchase land for a new Main Branch in Livingston. New employees may be hired in 2008 to adequately staff the various branches as needed. This will continue to affect many parts of the budget including: salary expense, payroll taxes, retirement and group insurance. All other aspects of the budget should remain relatively the same.

## **Conclusion**

The Library Commission is maintaining its level of service to the community by continuing to offer public programming and services. Library staff has increased to accommodate the rising use and population in the parish. The five library branches that serve the public are all operational and open, with expanded hours, to serve patrons. The library will have 136 computers available for library users, as well as expanded book, audio/video and periodical collections. Library programs will increase in the future while continuing to offer computer classes, children's programs and events.

The annual operations and maintenance budget enables the library to provide building and ground maintenance, insurance, staffing, services, resources, and materials to continue serving the needs of Livingston Parish's citizens.

## **Contacting the Livingston Parish Library**

This financial report is designed to provide a general overview of the Livingston Parish Library Commission's finances for those with an interest in the Library's financial position and operations. Questions about this report or requests for additional information may be sent to: Wendy Bobo, Library Director, Livingston Parish Library, P.O. Box 397, Livingston, LA 70754.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LIVINGSTON PARISH LIBRARY COMMISSION**

**STATEMENT OF NET ASSETS**

DECEMBER 31, 2007

(With Comparative Totals as of December 31, 2006)

**ASSETS**

	Governmental Activities	
	2007	2006
Cash and Cash Equivalents	\$ 821,587	\$ 835,584
Investment (Certificate of Deposit - Maturity Greater Than 90 Days)	2,750,000	3,500,000
Property Tax Receivables	2,602,871	2,175,246
Due From Other Governments	966,514	42,359
Other Receivables	3,381	5,117
Prepaid Expenses	17,572	16,896
Deposits	15	15
Capital Assets (Net of Accumulated Depreciation)	2,347,636	2,295,813
Total Assets	\$ 9,509,576	\$ 8,871,030

**LIABILITIES**

Accounts Payable	\$ 54,090	\$ 85,244
Property Tax Deductions Payable	110,424	101,717
Payroll Taxes Payable	-	5,268
Accrued Payroll	5,091	-
Long-Term Liabilities Due Within One Year	44,063	41,393
Total Liabilities	213,668	233,622

**NET ASSETS**

Investment in Capital Assets	2,347,636	2,295,813
Unrestricted	6,948,272	6,341,595
Total Net Assets	9,295,908	8,637,408
Total Liabilities and Net Assets	\$ 9,509,576	\$ 8,871,030

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH LIBRARY COMMISSION**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2007  
(With Comparative Totals For the Year Ended December 31, 2006)

<b><u>Governmental Activities:</u></b>	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Expenses:</b>		
Library Services:		
Salaries, Fees Paid and Benefits	\$ 1,543,656	\$ 1,103,813
Operating Services	321,314	203,726
Travel	5,089	1,992
Library Materials and Supplies	61,184	55,240
Intergovernmental	290,866	2,601,717
Depreciation	271,362	251,234
Total Expenses	2,493,471	4,217,722
 <b>Program Revenues:</b>		
Fees, Fines and Other Charges for Services	36,390	30,425
Grants	76,579	53,830
Net Program Expense	2,380,502	4,133,467
 <b>General Revenues:</b>		
Taxes - Property	2,648,560	2,420,162
State Revenue Sharing	129,386	121,701
Interest Income	230,721	262,526
Donations	646	4,685
Other	29,689	5,300
Total General Revenues	3,039,002	2,814,374
Change in Net Assets	658,500	(1,319,093)
 <b>Net Assets - Beginning of Year</b>	8,637,408	9,956,501
 <b>Net Assets - End of Year</b>	\$ 9,295,908	\$ 8,637,408

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**LIVINGSTON PARISH LIBRARY COMMISSION**

BALANCE SHEET - GOVERNMENTAL FUND

DECEMBER 31, 2007

(With Comparative Totals as of December 31, 2006)

**ASSETS**

	Governmental Funds	
	2007	2006
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 821,587	\$ 835,584
Investment (Certificate of Deposit - Maturity Greater Than 90 Days)	2,750,000	3,500,000
Property Tax Receivables	2,602,871	2,175,246
Due From Other Governments	966,514	42,359
Other Receivables	3,381	5,117
Prepaid Expenses	17,572	16,896
Deposits	15	15
Total Assets	\$ 7,161,940	\$ 6,575,217

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts Payable	\$ 54,090	\$ 85,244
Property Tax Deductions Payable	110,424	101,717
Payroll Taxes Payable	-	5,268
Accrued Payroll	5,091	-
Total Liabilities	169,605	192,229

**Fund Balance:**

Reserved for Prepaid Expenses	\$ 17,572	\$ 16,896
Unreserved	6,974,763	6,366,092
Total Fund Balance	6,992,335	6,382,988
Total Liabilities and Fund Balance	\$ 7,161,940	\$ 6,575,217

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH LIBRARY COMMISSION**

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2007  
(With Comparative Totals as of December 31, 2006)

	2007	2006
<b>Fund Balances - Total Governmental Fund</b>	<b>\$ 6,992,335</b>	<b>\$ 6,382,988</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		
Governmental Capital Assets	3,867,687	3,622,025
Less: Accumulated Depreciation	<u>(1,520,051)</u>	<u>(1,326,212)</u>
	2,347,636	2,295,813
<p>Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:</p>		
Compensated Absences Payable	<u>(44,063)</u>	<u>(41,393)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$ <u>9,295,908</u></b>	<b>\$ <u>8,637,408</u></b>

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH LIBRARY COMMISSION**

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

FOR THE YEAR ENDED DECEMBER 31, 2007  
(With Comparative Totals for The Year Ended December 31, 2006)

	Governmental Fund	
	2007	2006
<b>Revenues:</b>		
Taxes - Property	\$ 2,648,560	\$ 2,420,162
Fines/Lost Books	36,390	30,425
Grants	76,579	53,830
State Revenue Sharing	129,386	121,701
Interest Income	230,721	262,526
Donations	646	4,685
Other	29,689	5,300
	3,151,971	2,898,629
<b>Expenditures:</b>		
Library Administration		
Salaries, Fees Paid and Benefits:		
Salaries	1,230,525	894,106
Payroll Tax Expense	95,810	68,646
Group Insurance	143,488	93,602
Penalties and Interest	985	4,110
Retirement Expense	61,458	45,418
Workman's Compensation and Unemployment	8,720	2,844
	1,540,986	1,108,726
Operating Services:		
Dues and Subscriptions	1,999	1,518
Insurance	40,772	12,049
Legal and Accounting	12,780	8,722
Miscellaneous	2,271	1,283
Postage	2,083	2,090
Repairs and Maintenance	82,763	33,391
Rent	9,690	47,280
Software Purchases	11,674	339
Telephone	13,641	10,982
Utilities	143,641	86,072
	321,314	203,726

(CONTINUED)

**LIVINGSTON PARISH LIBRARY COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2007  
(With Comparative Totals for The Year Ended December 31, 2006)

	Governmental Fund	
	2007	2006
<b>Expenditures (Continued):</b>		
Travel	5,089	1,992
Capital Outlay	323,185	575,822
Library Materials and Supplies:		
Library Books and Periodicals (not capitalized)	6,216	4,828
Office Supplies	41,179	43,041
Summer Reading Program	13,789	7,371
	61,184	55,240
Intergovernmental:		
Contributions to Retirement System	110,424	101,717
Intergovernmental Transfer Out	180,442	2,500,000
	290,866	2,601,717
Total Expenditures	2,542,624	4,547,223
Excess (Deficiency) of Revenues Over (Under) Expenditures	609,347	(1,648,594)
<b>Fund Balance - Beginning of Year</b>	6,382,988	8,031,582
<b>Fund Balance - End of Year</b>	\$ 6,992,335	\$ 6,382,988

The accompanying notes constitute an integral part of this statement.

**LIVINGSTON PARISH LIBRARY COMMISSION**

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

FOR THE YEAR ENDED DECEMBER 31, 2007  
(With Comparative Totals For the Year Ended December 31, 2006)

	2007	2006
<b>Net Change in Fund Balance - Total Governmental Fund</b>	\$ 609,347	\$ (1,648,594)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, the costs 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.</p>		
	51,823	324,588
<p>The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability. This is the net (increase) decrease in compensated absences.</p>		
	(2,670)	4,913
<b>Change in Net Assets of Governmental Activities</b>	\$ 658,500	\$ (1,319,093)

The accompanying notes constitute an integral part of this statement.

LIVINGSTON PARISH LIBRARY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes - Property	\$ 2,213,934	\$ 2,676,000	\$ 2,648,560	\$ (27,440)
Fines/Lost Books	30,000	32,500	36,390	3,890
Grants	55,245	70,754	76,579	5,825
State Revenue Sharing	120,750	123,114	129,386	6,272
Interest Income	216,000	200,000	210,458	10,458
Interest Income- Prop. Taxes	25,000	20,000	20,263	263
Other Income	3,500	28,550	29,689	1,139
Donations	4,000	600	646	46
	<u>2,668,429</u>	<u>3,151,518</u>	<u>3,151,971</u>	<u>453</u>
<b>Expenditures:</b>				
Library Administration				
Salaries, Fees Paid and Benefits:				
Salaries	1,165,855	1,264,000	1,230,525	33,475
Payroll Tax Expense	89,188	94,500	95,810	(1,310)
Group Insurance	90,000	145,000	143,488	1,512
Penalties and Interest	-	-	985	(985)
Retirement Expense	58,292	58,292	61,458	(3,166)
Workman's Compensation and Unemployment	4,000	8,720	8,720	-
	<u>1,407,335</u>	<u>1,570,512</u>	<u>1,540,986</u>	<u>29,526</u>
Operating Services:				
Dues and Subscriptions	1,500	1,700	1,999	(299)
Insurance	37,000	45,000	40,772	4,228
Legal and Accounting	6,750	13,200	12,780	420
Miscellaneous	1,400	2,605	2,271	334
Postage	3,000	2,000	2,083	(83)
Repairs and Maintenance	84,200	84,200	82,763	1,437
Rent	7,200	9,700	9,690	10
Software Purchases	-	1,700	11,674	(9,974)
Telephone	15,000	15,000	13,641	1,359
Utilities	100,900	161,000	143,641	17,359
	<u>256,950</u>	<u>336,105</u>	<u>321,314</u>	<u>14,791</u>

(CONTINUED)

**LIVINGSTON PARISH LIBRARY COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND - (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Expenditures (Continued):</b>				
Travel	5,000	5,500	5,089	411
Capital Outlay	381,000	362,700	323,185	39,515
Library Materials and Supplies:				
Library Books and Periodicals (not capitalized)	7,000	6,260	6,216	44
Office Supplies	30,000	41,000	41,179	(179)
Summer Reading Program	13,000	13,800	13,789	11
	50,000	61,060	61,184	(124)
Intergovernmental:				
Contributions to Retirement System	90,000	111,000	110,424	576
Intergovernmental Transfer Out	-	1,000,000	180,442	819,558
	90,000	1,111,000	290,866	820,134
Total Expenditures	2,190,285	3,446,877	2,542,624	904,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	478,144	(295,359)	609,347	904,706
Fund Balance - Beginning of Year	6,382,988	6,382,988	6,382,988	-
Fund Balance - End of Year	\$ 6,861,132	\$ 6,087,629	\$ 6,992,335	\$ 904,706

The accompanying notes constitute an integral part of this statement.

# LIVINGSTON PARISH LIBRARY COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### (1) **Summary of Significant Accounting Policies -**

The Livingston Parish Library Commission "the Commission" is a body corporate created by the Livingston Parish Council, as provided by Louisiana Revised Statutes. The Commission is governed by a board of eight commissioners who are appointed by the Livingston Parish Council.

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 30, 2007, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

#### A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Commission's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the Commission is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the fund and account group maintained by the Commission and do not present information on the Council and the general government services provided by that governmental unit.

#### B. Basis of Presentation

##### Basic Financial Statements - Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the Library categorized as a business-type activity.

## LIVINGSTON PARISH LIBRARY COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

#### **(1) Summary of Significant Accounting Policies - (Continued) -**

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the Library's function. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc).

The Library does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net assets resulting from the current year's activities.

#### Basic Financial Statements - Fund Financial Statements

The financial transactions of the Library are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

The Library uses the following fund type:

#### Governmental Funds:

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

- 1) The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2007, it is the only fund of the Library.

**LIVINGSTON PARISH LIBRARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2007

**(1) Summary of Significant Accounting Policies - (Continued) -**

**C. Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual -**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the Library consist principally of property taxes, state revenue sharing and interest income. Interest income is recorded when earned. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years. State Revenue Sharing is recorded when made available.

**2. Modified Accrual -**

The governmental funds 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 that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

**D. Capital Assets**

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Library collection	7 years
Computer equipment	5 years
Office furniture and equipment	5 to 10 years
Buildings	40 years
Vehicles	5 years

**LIVINGSTON PARISH LIBRARY COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2007

**(1) Summary of Significant Accounting Policies - (Continued) -**

E. Budgetary Practices

The Commission utilizes the following budgetary practices:

The Director prepares the annual budget, which is based on what is expected to be collected and/or levied during the fiscal year and is approved by the Board of Commissioners. The adopted budget constitutes the authority of the Director to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved by the Board before payment.

The original budget was adopted on December 5, 2006 and the final amended budget was adopted on December 13, 2007, during open meetings of the Board of Commissioners. All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Appropriations, except encumbrances, lapse at the end of each year.

F. 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 and expenses during the reporting period. Actual results could differ from those estimates.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. At December 31, 2007, the Library had no outstanding debt. See Note (10) concerning general obligation bonds issued by the Livingston Parish Council for the construction of new libraries within Livingston Parish.

**LIVINGSTON PARISH LIBRARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2007

**(2) Property Taxes -**

On April 23, 2005, an election was held whereby the voters of Livingston Parish approved a 10 year 10.00 mill ad valorem tax assessed on all property subject to taxation in Livingston Parish for the purpose of "acquiring, contracting, improving, maintaining and operating the Livingston Parish Library." The tax began with the year 2005 and ends with the year 2014.

Property taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

The Commission's taxes are collected by the Livingston Parish Tax Collector and are remitted to the Commission monthly. The Commission pays the Assessor's Office a fee for this service.

For the year 2007, taxes of 10.00 mills were levied on property with assessed valuations totaling \$273,636,370.

Total taxes assessed and taxes receivable at December 31, 2007, are as follows:

	General Operations <u>10.00 Mills</u>
Property Tax Assessed	\$ 2,736,364
Less: Current Amounts Deemed Uncollectible	<u>(95,773)</u>
Net 2007 Property Taxes Deemed Collectible	2,640,591
Additional Prior Year Taxes Collected in 2007	<u>7,969</u>
Net Property Tax Revenues	<u><u>\$ 2,648,560</u></u>

(CONTINUED)

**LIVINGSTON PARISH LIBRARY COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

	<u>General Operations 10.00 Mills</u>
Net Property Taxes Deemed Collectible	\$ 2,640,591
Less: Amounts Collected Prior to December 31, 2007	<u>(37,720)</u>
Taxes Receivable - Current Year	<u>2,602,871</u>
Prior Year Tax Receivable at December 31, 2006	2,175,246
Less: Prior Year Tax Collected in 2007	(2,186,545)
Additional Prior Year Taxes Collected in 2007	7,969
Refunds	<u>3,330</u>
Taxes Receivable - Prior Year	-
Total Property Taxes Receivable at December 31, 2007	<u><u>\$ 2,602,871</u></u>

**(3) Changes in Capital Assets -**

Capital asset activity for the year ended December 31, 2007 is as follows:

<u>Governmental Activities</u>	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Furniture and Equipment	\$ 573,235	\$ 14,694	\$ (47,396)	\$ 540,533
Building	506,200	28,014	-	534,214
Vehicles	16,365	-	-	16,365
Library Collection	1,587,798	280,477	(30,127)	1,838,148
Land	<u>938,427</u>	<u>-</u>	<u>-</u>	<u>938,427</u>
Totals	3,622,025	323,185	77,523	3,867,687
Less Accumulated Depreciation for:				
Furniture and Equipment	340,125	71,451	(47,396)	364,180
Building	151,860	13,886	-	165,746
Vehicles	16,365	-	-	16,365
Library Collection	<u>817,862</u>	<u>186,025</u>	<u>(30,127)</u>	<u>973,760</u>
Total Accumulated Depreciation	<u>1,326,212</u>	<u>271,362</u>	<u>77,523</u>	<u>1,520,051</u>
Capital Assets, Net	<u>\$ 2,295,813</u>	<u>\$ 51,823</u>	<u>\$ -</u>	<u>\$ 2,347,636</u>

**LIVINGSTON PARISH LIBRARY COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

**(4) Cash and Cash Equivalents and Certificates of Deposit -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with maturities of three months or less from the date of acquisition. The Commission also invests funds in certificates of deposit which have maturity dates greater than 90 days when purchased and are therefore classified as certificates of deposit. Under state law the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Commission may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the Commission had cash and certificates of deposit totaling \$3,593,471 with a carrying amount of \$3,571,587 at December 31, 2007. Cash and certificates of deposit are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and certificates of deposit at December 31, 2007:

	Cash	Certificates of Deposit	Total
Deposits in Bank Accounts per Balance Sheet	\$ 821,587	\$2,750,000	\$3,571,587
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entity's Name	819,999	2,673,472	3,493,471
Total Category 3 Bank Balances	819,999	2,673,472	3,493,471
Total Bank Balances (Regardless of Category)	\$ 843,471	\$2,750,000	\$3,593,471

**LIVINGSTON PARISH LIBRARY COMMISSION**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

**Custodial Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Library deposits may not be returned to it. As of December 31, 2007, \$3,493,471 of the Library's bank balance of \$3,593,471 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entities name.

**(5) Litigation -**

There is no litigation pending against the Commission.

**(6) Compensated Absences and Other Postemployment Benefits -**

At December 31, 2007, the Commission has no plan or provision for other post employment benefits. Vacation time can be accumulated up to 40 hours at year end. Any hours in excess of this maximum amount must be taken by the end of the year or is forfeited. Sick leave can be accumulated from year to year but is not paid upon retirement or termination. Overtime is accumulated and is used as time allows. Overtime accumulated is not paid until retirement or termination.

The following reflects the change in Compensated Absences at December 31, 2007.

Balance at December 31, 2006	\$ 41,393
Net Additions	<u>2,670</u>
Balance at December 31, 2007	<u>\$ 44,063</u>

At December 31, 2007, the balance of \$44,063 is reflected as Long-Term Liabilities Due Within One Year on the Statement of Net Assets and is not included on the Fund Financial Statement.

**(7) Pension Plan -**

Substantially all employees of the Livingston Parish Library Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple employer public employee retirement system (PERS), controlled and 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 Commission are members of Plan B.

**LIVINGSTON PARISH LIBRARY COMMISSION**  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2007

**(7) Pension Plan (Continued) -**

All permanent employees working at least 28 hours per week who are paid wholly or in part from Library funds, are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, or at or after age 55 with 30 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 2 per cent of their final-average salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 per cent for each year retirement precedes age 63. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 per cent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce 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 by state statute.

Contributions to the System 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. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute currently requires employees covered by Plan B to contribute three percent of their salaries in excess of \$100 per month to the System.

The following provides certain disclosures for the Library Commission and the retirement system that are required by GASB Codification:

	<u>Plan B</u>	<u>December 31, 2007</u>
<b>Contribution Rates:</b>		
Employees		3.00%
Employer		6.00%

**Trend Information:**

Contributions required by State statute.

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 7,964	100%
2003	\$14,343	100%
2004	\$24,684	100%
2005	\$35,148	100%
2006	\$45,418	100%
2007	\$61,458	100%

**LIVINGSTON PARISH LIBRARY COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2007

Trend information showing the progress of the System in accumulating sufficient assets to pay benefits when due is presented in its annual financial reports. Copies of these reports may be obtained from the Parochial Employees Retirement System of Louisiana.

**(8) Rental Expense -**

The Commission leased certain facilities for part of 2007. These leases were month to month operating leases and there are no formal written lease agreements. The total rental expense included in these financial statements for the year ended December 31, 2007 is \$9,690.

**(9) Schedule of Compensation Paid Board Members -**

Jo Ann Graul, President	\$ -
Sue Blanchard, Vice President	-
Michael Grimmer, Ex-Officio Member	-
Katherine deGeneres	-
Shirley McDonald	-
Juanette Courtney	-
Ronald Bencaz	-
Edward J. Ryan	-
	-
	\$ -

The term of each board member is five years.

**(10) Bonds Payable -**

On October 4, 2003, the voters of Livingston Parish approved the issuance of \$8,900,000 (Series 2004) General Obligation Bonds. The proceeds of these bonds will be used to pay the cost of construction and acquiring and improvement of public libraries for the Parish, and acquiring the necessary land, equipment and furnishings. These bonds will be payable from the annual levy and collection of unlimited ad valorem taxes on all the taxable property within the Parish. These bonds were issued on March 1, 2004 with scheduled maturities through 2024. The bonds were issued in the name of the Livingston Parish Council and hence are recorded on the books of the Livingston Parish Council. The Council will administer the construction funds as they are spent on the construction of the new libraries. In addition, the Council will collect and administer the ad valorem taxes to be collected and used to repay the outstanding bonds. At December 31, 2006, the Livingston Parish Council spent the \$8.9 million on the construction of new libraries from the bond proceeds. In addition, at December 31, 2007, the Library Commission has transferred an accumulated amount of \$2,680,442 (\$2,500,000 in 2006 and \$180,442 in 2007) of its funds to the Livingston Parish Council to assist the Parish Council in the completion of the construction costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE COMPONENT UNIT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS



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June 23, 2008

Board of Commissioners  
Livingston Parish Library Commission  
Livingston, Louisiana

We have audited the financial statements of the governmental activities and the major fund of the Livingston Parish Library Commission, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 23, 2008. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data

reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting identified as items 2007-1 through 2007-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Commission's responses and, accordingly, we express no opinion on it.

This report is intended for the information of management and the Louisiana Legislative Auditor, and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Hannu J. Bourgeois, CPA*

**LIVINGSTON PARISH LIBRARY COMMISSION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED DECEMBER 31, 2007

**CURRENT YEAR FINDINGS:**

**Findings - Internal Control Over Financial Reporting:**

**Finding 2007-1 - Failure to Reconcile Cash Account**

During our testing of cash, it was noted that the Library is not verifying the bank reconciliation balances they prepare in Quickbooks to the General Ledger, leading to a difference between the Quickbooks reconciliation and the amount in the general ledger. The Library cannot explain this difference. Furthermore, the beginning and ending balance on the Quickbooks reconciliation does not equal the beginning and ending balance on the December 31, 2007 bank statement.

**Recommendation:**

We recommend that all reconciliations be performed on a timely basis and that the reconciliations be performed carefully and properly. Any differences between book balance and bank balance should be investigated and corrected on the books or with the bank, immediately.

**Management's Response:**

The bank account was overstated by \$3,584.41 because QuickBooks did not recognize adjustments made from prior year's audit. At the time the December 2007 reconciliation was made in QuickBooks, the records reconciled. It was only after adjustments were made through journal entries that the balances were discovered not to match. The misunderstanding of accounting procedures by the accounting staff as to how the entries affect other things was also part of the issue. A more experienced bookkeeper has since been hired. She will be keeping both manual and QuickBooks reconciliations as a double-check measure for the accounting for 2008 and forward periods. She and the Library's accounting consultant are continuing to research the instance for a proper resolution.

**Finding 2007-2 - Payments to IRS Without Supporting Documentation:**

In the current year, it was noted that the Library made several payments to the IRS for penalties and interest for filing late. The Library made these payments when they received a notice from the IRS or Department of Revenue, although the Library did not think they owed them. The Library would receive a refund for overpayment later in the current year. However, these disbursements were made without documented proof or other documentation to determine the validity or reasonableness of such disbursements.

Recommendation:

We recommend that the Library only make disbursements based on documented proof or other documentation showing amounts owed, and after management has reviewed and approved invoices or documentation showing amounts owed.

Management's Response:

Management paid the assessed amounts to the IRS and the Louisiana Dept. of Revenue based on verbal and written communications with the IRS and Louisiana Dept. of Revenue concerning payments of penalties and interest. Per a telephone conversation with an IRS representative we were informed that the Library owed payment of current (at the time) bi-monthly taxes and they had to be paid before the IRS and Louisiana Dept. of Revenue could issue the refunds due the Library. The penalties and interest were incurred due to the Louisiana Dept. of Revenue having two websites – one for current taxes owed and a separate one for penalties and interest due – the second of which Management was unaware until the IRS representative brought it to Management's attention.

Our policy from this point forward in regard to past due notices by the IRS or Louisiana Dept. of Revenue for amounts owed other than normal bi-monthly taxes will be to have a consultant to review the documentation and make a recommendation prior to a response by the Library.

Findings - Compliance and Other Matters:

None

**LIVINGSTON PARISH LIBRARY COMMISSION**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2007

**PRIOR YEAR FINDINGS:**

**Findings - Internal Control Over Financial Reporting:**

**Finding 2006-1 - Lack of Documented Review and Approval of Invoices by Management**

During the prior year, it was noted that 21 of the 25 disbursements and related invoices selected in our audit sample had no documented evidence of review or approval by management prior to the check being prepared for payment on the invoice.

**Recommendation:**

We recommended that management review invoices prior to submitting them for payment and that the reviewer's signature and date of review be documented on each invoice as evidence of timely review.

**Corrective Action Taken:**

In the current year, it was noted that all invoices, after the prior year report was issued, were reviewed and approved by management prior to the check being prepared for payment.

**Finding 2006-2 - Lack of Documentation and Method Used to Transfer Funds to Parish Council**

During the prior year, it was noted that three CDs with maturities during 2007 were withdrawn during 2006. The proceeds from these deposits along with an additional \$100,000 from the Library's operating account were remitted to the Livingston Parish Council as an advance for future expenses associated with the construction of new library facilities. In our review of the minutes from the 2006 meetings of the Board of Directors, we noted no evidence of board approval for early withdrawal of the certificates, nor evidence of approval to remit payment to the Parish Council. Further, we noted no documented evidence from the Parish Council requesting these funds. In addition, we noted these funds were paid to the Livingston Parish Council with a bank cashiers check instead of depositing the proceeds from the certificates of deposit into the Library's operating account and writing a check from the operating account to the Livingston Parish Council.

Recommendation:

We recommended that management obtain documented requests from the Council when such disbursements are required and that management communicate with the Board and obtain board approval for such disbursements and/or withdrawals. We also recommended proceeds from withdrawals on certificates of deposit be transferred into the operating account and all payments be made from checks written out of this operating account.

Corrective Action Taken:

In the current year, it was noted that there were no early withdrawals of certificates.

Finding 2006-3 - Personnel Files Lacking Supporting Documentation:

During the prior year, it was noted that personnel files maintained by the Library do not contain adequate documentation of authorized pay rates or hire dates necessary to determine the accuracy of documented payroll disbursements.

Recommendation:

We recommended that when management hires personnel initial personnel data information sheets be completed which include pertinent employee data including their hire date and initial salary with evidence of the director's approval of such salary. Further, we recommended that annual salary increases be documented in personnel files including documented evidence of the director's approval of these increases.

Corrective Action Taken:

In the current year, it was noted that the Library still does not have signed pay rate forms from the employees. However, the Library does have an approved 2007 salary schedule and has signed pay rate forms beginning in 2008.

Finding 2006-4 - Payments to Contractor Without Supporting Documentation:

In the prior year, it was noted that the Library made several payments to its former accountant during 2006. After this former employee resigned, he was hired as a contractor to perform various network and information technology-related services. It was noted that there is no documented agreement with this former employee as to the services to be performed or the rate of pay. One payment to this former employee was selected in our review of cash disbursements. It was noted that this former employee did not send the library invoices for services rendered; therefore, these disbursements were being made without documented approvals of invoices or documentation to determine the validity or reasonableness of such disbursements.

Recommendation:

We recommended that the Library enter into documented agreements for contract employees and make disbursements based on documented, reviewed and approved invoices.

Corrective Action Taken:

In the current year, no payments to contractors without documentation was noted.

Finding 2006-5 - Compensated Absences Negative Balance:

In the prior year, upon our review of the accrued compensated absences report at December 31, 2006, it was noted that there was one employee with negative accrued hours in compensated absences. These negative balances could be construed as advances to the employees and thus the Commission would be in noncompliance of State law.

Recommendation

We recommended that management and the payroll department begin monitoring the accrued compensated absences report and leave requests each pay period to ensure that an employee has ample time to cover the amount of leave they are requesting. No leave should be granted in excess of time accrued. In the case of sick time, any requested leave in excess of the amount accrued should be offset against another form of leave including vacation and comp time.

Corrective Action Taken:

In the current year, there were no employees with negative accrued hours, as the Library Commission no longer allows the advancement of vacation time that would create this deficit. All negative balances for vacation, sick, and compensatory time are now more closely monitored. If an employee terminates, all leave banks are checked to determine their status.

Finding 2006-6 – Revenue and Expense Recognition:

During the prior year, the Commission failed to record revenue and expenses using the accrual method of accounting. This failure to properly adjust the account balances resulted in material adjustments necessary totaling \$252,548 in revenues and \$105,954 in expenses or a net of \$145,594 in additional income.

Recommendation:

We recommended for management to review the financial statements presented for audit and properly record all material adjustments, as these accruals are necessary to properly present accurate financial statements. Also, we recommended the Commission develop a procedure to make all year end accrual adjustments so that the financials are materially stated.

Corrective Action Taken:

In the current year, it was noted that the Library used the accrual method of accounting.

## Findings - Compliance and Other Matters:

### Finding 2006-7 – Failure to Enter Into Cooperative Endeavor Agreement:

In the prior year, the Library made two disbursements to the Parish Council during 2006. These disbursements appeared to be in violation of Article VII, Title 14 of the Louisiana Constitution, which generally prohibits the “funds, credit, property or things of value of the state or of any political subdivision” from being “loaned, pledged, or donated to or for any person, association, or corporation, public, or private” except as authorized by LSA-R.S. 33:1324 which allows political subdivisions to “make agreements between or among themselves to engage jointly in the construction, acquisition or improvement of any public project or improvement. Such agreements may provide for the joint use of funds, facilities, personnel or property or any combination thereof necessary to accomplish the purposes of the agreement.” It appeared that the Livingston Parish Library Commission and the Livingston Parish Council have not entered into any such cooperative endeavor agreement, thereby leading to the appearance of violation.

### Recommendation:

We recommended that the Library and the Parish Council enter into an agreement, or cooperative endeavor, which documents the purpose of their undertaking and each party’s responsibilities.

### Corrective Action Taken:

In the current year, it was noted that the Library donated shelves and desks to local schools without a cooperative endeavor agreement. Failure to enter into a Cooperative Endeavor Agreement continues to be a problem.

### Management’s Response:

The lack of paperwork for the Cooperative Endeavor Agreement with the Parish Council as found in the 2006 audit was corrected in 2007 by obtaining the paperwork and maintaining a file for such. Corrective action was taken in this instance.

In regard to the agreement between the schools and the Library, Library Management was unaware that the donation of items – mismatched shelving, various metal desks, etc. – that were no longer of value to the current Library systems’ facilities would require a CEA if donated to local schools who have a need for additional shelving which is not always within the schools’ budgets. Upon reviewing the LSA-R.S. 33:1324 cited by the auditor, Management is more fully aware that an agreement is required, even in these instances.

### Finding 2006-8 – Failure to Report Payments to Contractor on IRS Form 1099:

In the prior year, the Library hired its former accountant as a contractor to perform various computer-related services. It was noted that disbursements to this former employee for these services totaled \$2,160 during 2006. This contractor was not issued an IRS Form 1099-Misc for these payments. This was in violation of IRS Code Sec. 6041 which requires that payments of \$600 or more made in the course of the payer’s trade or business be reported to the IRS.

Recommendation:

We recommended that the Library follow the guidelines set forth by the code of the Internal Revenue Service in reporting payments made in the course of business.

Corrective Action Taken:

In the current year, it was noted that everyone required to receive an IRS form 1099-Misc. received one.

Finding 2006-9 - Failure to Pay Payroll Tax Liabilities Timely Resulting in the Assessment of Penalties:

During the prior year, we noted the Library Commission paid \$4,110 in penalties and interest to the State or Federal governments that were assessed due to filing and paying payroll tax liabilities late.

Recommendation:

We recommended for management to prepare, file and pay all payroll tax report according to the due dates of each payroll tax in order to avoid having to pay penalty and interest in the future.

Corrective Action Taken:

In the current year, it was noted that the Library again filed and paid payroll tax liabilities late. However, since August 2007, the Library has been remitting amounts owed on a timely basis, as they remit amounts owed on the same day payroll is paid.