

DESOTO PARISH LIBRARY

Mansfield, Louisiana

**FINANCIAL REPORT
December 31, 2019**



Dees Gardner, Certified Public Accountants, LLC

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Independent Auditor's Report

To the Board of Control
DeSoto Parish Library
Mansfield, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Library, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2019, 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.

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 DeSoto Parish Library as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 and the required supplementary information (part II) as listed in the table of contents 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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.

The required supplemental information (part II) is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the 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 taken as a whole.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The schedule of compensation, benefits and other payments to agency head of chief executive officer listed as other supplemental information in the table of contents as required by Louisiana Revised Statute 24:513 (A)(3), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The "other supplemental 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. The 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 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 August 12, 2020, on our consideration of the DeSoto Parish Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 DeSoto Parish Library's internal control over financial reporting and compliance.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana

August 12, 2020

REQUIRED SUPPLEMENTARY INFORMATION
(PART I)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

DESOTO PARISH LIBRARY

Mansfield, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ending December 31, 2019

Within this section of the DeSoto Parish Library's (the Library) annual financial report, the Library's management is pleased to provide this narrative overview and analysis of the financial activities of the Library as of and for the fiscal year ended December 31, 2019. The Library's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented here in conjunction with the Library's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

- The DeSoto Parish Library's net position increased by \$647,081 or 2.48% in December 31, 2019, compared to an increase of \$550,635 or 2.16% in 2018.
- Sales and use taxes decreased \$75,929 (2.75%) to \$2,681,119 during the year ended December 31, 2019 compared to \$2,757,048 during 2018.
- The DeSoto Parish Library's total general and program revenues increased by \$305,028 or 10.51%.
- During the year ended December 31, 2019, the DeSoto Parish Library had total expenses of \$2,085,127, excluding depreciation of \$476,427, compared to \$1,877,742 (net of \$475,230 in depreciation) in 2018. This reflects an increase of \$207,385 or 11.04% during the year ended December 31, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the basic financial statements which include government-wide financial statements and fund financial statements. These two types of financial statements present the Library's financial position and results of operations from differing perspectives, which are described as follows:

Government-Wide Financial Statements

The government-wide financial statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Library's assets and all of its liabilities. All of the Library's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by sales and use tax.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Library's most significant activities and are not intended to provide information for the Library as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Library's funds are limited to its general fund, which is classified as a Governmental Fund. This fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund uses a modified accrual basis of accounting that provides a short-term view of the Library's finances. Assets reported by the governmental fund are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund. Annual budgets are prepared on the cash basis. There is also a schedule of the Library's proportionate share of the net pension liability and schedule of pension contributions.

Other Supplementary Information. The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3).

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of the DeSoto Parish Library's financial position. The total net position changed from a year ago, increasing from \$26,070,546 to \$26,717,627 (2.48%).

The DeSoto Parish Library's level of liquidity is \$16,355,913 (61.22%) of net position invested in demand deposits, LAMP securities, certificates of deposit, and government securities with various financial institutions as of December 31, 2019.

At December 31, 2019, \$9,989,235 (37.39%) of the Library's net position reflects capital assets with a historical cost of \$15,214,053 and accumulated depreciation of \$5,224,818.

Accounts receivable, which consists mostly of sales and use tax, increased by \$14,051.

The largest portion of the Library's net position \$16,728,392 (62.61%) as of December 31, 2019, and \$15,774,915 (60.51%) as of 2018, is unrestricted and may be used to meet the ongoing obligations to the citizens of DeSoto Parish.

The following table provides a summary of the Library's net position:

Assets	2019	2018	% Change
Cash	\$ 10,416,107	\$ 9,550,215	9.07%
Investments	5,939,806	5,801,320	2.39%
Accounts Receivable	450,046	435,995	3.22%
Accrued Interest	27,721	32,218	-13.96%
Prepaid Expenses	33,519	35,304	-5.06%
Net pension asset	-	100,027	-100.00%
Capital Assets, Net of Depreciation	9,989,235	10,295,631	-2.98%
Total Assets	<u>\$ 26,856,434</u>	<u>\$ 26,250,710</u>	<u>2.31%</u>
Deferred Outflows of Resources			
Pension related	<u>\$ 285,282</u>	<u>\$ 122,378</u>	<u>133.12%</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 19,291	\$ 18,020	7.05%
Salaries and Benefits Payable	66,000	51,387	28.44%
Long-term Liabilities			
Accrued Compensated Absences	66,285	59,662	11.10%
Net pension liability	221,747	-	100.00%
Total Liabilities	<u>\$ 373,323</u>	<u>\$ 129,069</u>	<u>189.24%</u>
Deferred Inflows of Resources			
Pension related	<u>\$ 50,766</u>	<u>\$ 173,473</u>	<u>-70.74%</u>
Net Position			
Unrestricted	\$ 16,728,392	\$ 15,774,915	6.04%
Net Investment in Capital Assets	9,989,235	10,295,631	-2.98%
Total Net Position	<u>\$ 26,717,627</u>	<u>\$ 26,070,546</u>	<u>2.48%</u>

Changes in Net Position

An analysis of the government-wide Statement of Activities is presented as follows:

Revenues	2019	2018	% Change
Program Revenue			
Charges for services	\$ 31,917	\$ 35,443	-9.95%
Grants and contributions	5,507	9,395	-41.38%
General Revenue			
Sales tax	2,681,119	2,757,048	-2.75%
Investment earnings	454,516	99,296	357.74%
Miscellaneous	6,119	-	100.00%
Gain on sale of assets	2,378	2,425	-1.94%
Insurance proceeds	27,079	-	100.00%
Total Revenue	<u>3,208,635</u>	<u>2,903,607</u>	<u>10.51%</u>
Program Expenses			
Culture and Recreation	<u>2,561,554</u>	<u>2,352,972</u>	<u>8.86%</u>
Change in Net Position	647,081	550,635	17.52%
Net Position Beginning	26,070,546	25,519,911	2.16%
Net Position Ending	<u>\$ 26,717,627</u>	<u>\$ 26,070,546</u>	<u>2.48%</u>

As the above presentation demonstrates, the Library has increased its reserves by \$647,081 or 2.48%.

The DeSoto Library received \$2,681,119 (84%) and \$2,757,048 (95%) of its total revenues through sales and use taxes during 2019 and 2018, respectively.

Approximately 0.99% (\$31,917) of the Fund's total revenue was derived through charges for services compared to 1.22% (\$35,443) in 2018.

The Library continues to have a substantial amount of net position.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUND

For the year ended December 31, 2019, differences between the government-wide presentation and the fund financial statements were due to depreciation changes associated with capital assets, changes in accrued compensated absences, and the GASB 68 non-employer contributions and pension expense.

GENERAL BUDGET BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Library complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-RS 39:1301 et seq.). The Library's budget was amended during 2019. The Library's budget is based on the Government Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance. The actual revenues were \$266,203 more than the budgeted amounts. The actual expenditures were \$32,277 or 1.4% more than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

Capital asset purchases for the year ended December 31, 2019, included additions to the library's collection and capitalized repairs to the Stonewall branch after a vehicle ran into the building.

DEBT ADMINISTRATION

For the year ended December 31, 2019, there was no debt activity and no debts are outstanding at year-end.

ECONOMIC FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

Due to the COVID-19 pandemic, the United States has experienced volatile economic conditions and disruption of general business activities. It is unknown how this will affect the Library's operations in the coming year at the date of this report. At the present time, the Library has not experienced any major impact from the pandemic. Sales tax revenues have remained fairly constant.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the DeSoto Parish Library's finances and seeks to demonstrate the Library's accountability for the money they receive. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Delbert Terry, Director, 109 Crosby Street, Mansfield, Louisiana, 71052.

BASIC FINANCIAL STATEMENTS

DESOTO PARISH LIBRARY

Mansfield, Louisiana

GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

December 31, 2019

	Governmental Fund Financial Statements		Government-wide Statements
	Balance Sheet		Statement of
	General Fund	Adjustments	Net Position
ASSETS			
Cash and cash equivalents	\$ 10,416,107	\$ -	\$ 10,416,107
Investments	5,939,806	-	5,939,806
Accounts receivable	450,046	-	450,046
Accrued interest	27,721	-	27,721
Prepaid expenses	33,519	-	33,519
Capital assets, net of accumulated depreciation, (see note 4)	-	9,989,235	9,989,235
TOTAL ASSETS	\$ 16,867,199	\$ 9,989,235	\$ 26,856,434
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	-	\$ 285,282	\$ 285,282
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 19,291	\$ -	\$ 19,291
Salaries and benefits payable	66,000	-	66,000
Noncurrent Liabilities:			
Accrued compensated absences	-	66,285	66,285
Net pension liability	-	221,747	221,747
TOTAL LIABILITIES	85,291	\$ 288,032	\$ 373,323
DEFERRED INFLOWS OF RESOURCES			
Pension related	-	\$ 50,766	\$ 50,766
FUND BALANCE/NET POSITION			
Fund Balances:			
Nonspendable:			
Prepaid expenses	33,519	\$ (33,519)	\$ -
Unassigned	16,748,389	(16,748,389)	-
TOTAL FUND BALANCES	16,781,908	(16,781,908)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,867,199	26,717,627	
Net Position:			
Net investment in capital assets		\$ 9,989,235	\$ 9,989,235
Unrestricted		16,728,392	16,728,392
TOTAL NET POSITION		\$ -	\$ 26,717,627

The accompanying notes are an integral part of this statement.

DESOTO PARISH LIBRARY

Mansfield, Louisiana

**Reconciliation of Fund Balance on the Balance Sheet for the Governmental Fund to
Net Position of Governmental Activities on the Statement of Net Position**

December 31, 2019

Fund Balance - Governmental Fund	\$	16,781,908
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

	9,989,235
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Certain deferred outflows are reported in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows-pension related

	285,282
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:

Accrued compensated absences

	(66,285)
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Deferred inflows-pension related

	(50,766)
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Net pension liability

	(221,747)
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Total Net Position of Government Activities

	\$	<u><u>26,717,627</u></u>
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The accompanying notes are an integral part of this statement.

DESOTO PARISH LIBRARY

Mansfield, Louisiana

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

For the year ended December 31, 2019

	Governmental Fund Financial Statements <u>Statement of Revenues, Expenditures, and Changes in Fund Balance</u> General Fund	Adjustments	Government-wide Statements <u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Culture and Recreation:			
Personal services & related benefits	\$ 1,626,919	\$ 42,787	\$ 1,669,706
Operating expenses	264,150	-	264,150
Material & supplies	148,447	-	148,447
Travel & other charges	2,824	-	2,824
Capital outlays	170,032	(170,032)	-
Depreciation	-	476,427	476,427
TOTAL EXPENDITURES/EXPENSES	<u>2,212,372</u>	<u>349,182</u>	<u>2,561,554</u>
PROGRAM REVENUES			
Charges for services	31,917	-	31,917
Operating grants and contributions	5,507	-	5,507
TOTAL PROGRAM REVENUES	<u>37,424</u>	<u>-</u>	<u>37,424</u>
NET PROGRAM EXPENSE	2,174,948	349,182	2,524,130
GENERAL REVENUES			
Sales and use tax	2,681,119	-	2,681,119
Investment earnings	454,516	-	454,516
Miscellaneous income	6,119	-	6,119
TOTAL GENERAL REVENUES	<u>3,141,754</u>	<u>-</u>	<u>3,141,754</u>
NET CHANGE IN FUND BALANCE/ CHANGE IN NET POSITION	966,806	(349,182)	617,624
OTHER FINANCING SOURCES (USES):			
Sale of assets/ Gain (loss) on sale of assets	2,378	-	2,378
Insurance proceeds	27,079	-	27,079
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,457</u>	<u>-</u>	<u>29,457</u>
EXCESS (Deficiency) of REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES(USES)/ CHANGE IN NET ASSETS	996,263	(349,182)	647,081
FUND BALANCE / NET POSITION			
Beginning of the year	15,785,645		26,070,546
End of the year	<u>\$ 16,781,908</u>		<u>\$ 26,717,627</u>

The accompanying notes are an integral part of this statement.

DESOTO PARISH LIBRARY

Mansfield, Louisiana

**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, 2019

Net change in Fund Balance - Governmental Fund	\$ 996,263
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Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of the assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense. Therefore, capital expenditures are not recorded in the statement of activities.

Capital outlays	170,032
Depreciation	(476,427)

In the Statement of Activities pension and other postemployment benefits are reported in the government-wide statements, but not in the governmental fund statements

Pension expense	(46,932)	
Non-employer contributions to cost-sharing pension plan	10,768	
Compensated absences	(6,623)	(42,787)
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Net change in Net Position	\$ <u>647,081</u>
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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

DESOTO PARISH LIBRARY
Mansfield, Louisiana

Notes to the Financial Statements
December 31, 2019

Introduction

The DeSoto Parish Library (hereinafter referred to as the Library) with the main branch located in Mansfield, Louisiana, was created by the DeSoto Parish Police Jury under the provisions of Louisiana Revised Statute 23:211. In addition to the main branch, the DeSoto Parish Library has branches in Stonewall, Logansport, and Pelican.

The Library has eight commissioners who make up the Board of Control. The DeSoto Parish Police Jury appoints seven of the commissioners while the eighth member is the Police Jury President. The Police Jury President serves as an ex-officio member or may designate a Juror in their stead. They are not paid for these services.

The Library was created to provide the citizens of DeSoto Parish access to library materials, books, magazines, computers, videos and audio media.

1. Summary of Significant Accounting Policies

The DeSoto Parish Library's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the DeSoto Parish Library are discussed below.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The Library is considered a component unit of the DeSoto Parish Police Jury because it appoints a voting majority of the Library's governing body. The accompanying financial statements present information only on the funds maintained by the Library and do not present information on the DeSoto Parish Police Jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements

In accordance with Governmental Accounting Standards Boards Statement No. 34, the Library has presented a statement of net position and statement of activities for the Library as a whole. Government-wide financial statements are designed to provide a more comprehensive view of the Library's operations and financial position as a single economic entity.

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

DESOTO PARISH LIBRARY
Mansfield, Louisiana

Notes to the Financial Statements
December 31, 2019

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements

The daily accounts and operations of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental activities presented as governmental funds for the Library consists only of the General Fund. The General Fund is the general operating fund of the Library. It accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Government considers tax revenues to be available if they are collected within 30 days of the end of the current fiscal year, while intergovernmental (grant) revenues are considered available if received within 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Cash

Cash includes amounts in demand deposit, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those income-producing items with original maturities of usually 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 any other state of the United States, or under the laws of the United States. Highly liquid debt instruments with original maturities of 91 days or less are classified as cash.

E. Investments

Investments are reported at fair value. All investments are traded on a national exchange and are valued at the last reported sales price at current exchange rates. There are no investments without an established market. Unrealized gains and losses on investments recorded at fair value are included in investment income (loss). Investment policies are governed by state statute.

DESOTO PARISH LIBRARY
Mansfield, Louisiana

Notes to the Financial Statements
December 31, 2019

1. Summary of Significant Accounting Policies (continued)

F. Accounts Receivable

Management believes these receivables are collectible; therefore, no allowance is recorded for uncollectible amounts.

G. Prepaid Expenses.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Capital Assets

Capital assets, which include property, plant, equipment, and the library collection, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized 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.

The Library maintains a threshold level of \$2,500 or more for capitalizing capital assets for reporting purposes. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation over the following useful lives:

Buildings and improvements	15-40 years
Furniture and Equipment	5-10 years
Library Collections	5 years

In the fund financial statements, the cost of capital assets used in governmental fund operations are accounted for as capital outlay expenditures.

I. Deferred Outflows/Inflows of Resources Related to Pensions

The Statement of Net Position reports a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the Parochial Employees' Retirement System of Louisiana (the System) additions to/deductions from the System fiduciary net positions have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

DESOTO PARISH LIBRARY
Mansfield, Louisiana

Notes to the Financial Statements
December 31, 2019

1. Summary of Significant Accounting Policies (continued)

K. Compensated Absences

Vested or accumulated vacation leave or compensatory time earned that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of compensated absences not expected to be liquidated with expendable available financial resources are not reported in the fund financial statements. No accrued current expenditures are reported in the governmental funds, as the amounts are considered immaterial. The full liability and related costs are reported in the government-wide financial statements. The non-current portion represents a reconciling item between the fund and government-wide statements.

Employees of the Library earn 5 to 22 days of vacation leave depending on their length of service. No leave is earned, however, while on suspension or leave with pay status. Annual leave may be accumulated to a maximum of 5 to 22 days depending on the employees' length of service. Time in excess will be forfeited. Temporary employees and substitutes are not eligible for vacation time.

Regular full-time employees earn a certain amount of sick leave each year, depending upon their status and hours worked. Unused sick leave is allowed to accumulate without limit. Upon separation of employment, excluding retirement, no sick leave shall be paid to employees.

L. Sales Taxes

The DeSoto Parish Library has a one-fourth percent ($\frac{1}{4}\%$) sales and use tax approved by the voters of DeSoto Parish on May 16, 1981, for an indefinite period of time. The tax, after all reasonable and necessary costs for collection and administration, is to be dedicated and used for the purpose of constructing, acquiring, extending, improving, operating and/or maintaining the parish library, together with all necessary land, equipment, and furnishings.

M. Use of Estimates

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

DESOTO PARISH LIBRARY
Mansfield, Louisiana

Notes to the Financial Statements
December 31, 2019

1. Summary of Significant Accounting Policies (continued)

N. Fund Equity

Net Position

In the government-wide financial statements equity (the difference between assets and liabilities) is classified as net position and is reported in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies unrestricted resources first, unless a determination is made to use restricted resources. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. In the fund financial statement, governmental fund balance is presented in five possible categories:

- a. Nonspendable—resources which cannot be spent because they are either (a) not in spendable form (such as prepaid items); or (b) legally or contractually required to be maintained intact.
- b. Restricted—resources with constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- c. Committed—resources which are subject to limitations or constraints to specific purposes the government imposes upon itself at its highest level of decision making (the Board of Control). These amounts cannot be used for any other purpose unless government takes the same highest level action to remove or change the constraint.
- d. Assigned—resources neither restricted nor committed for which the Board of Control has a stated intended use as established by the Library or a body or official to which the Board of Control has delegated the authority to assign amounts for specific purposes.

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Notes to the Financial Statements
December 31, 2019

1. Summary of Significant Accounting Policies (continued)

N. Fund Equity (continued)

- e. Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Library establishes (and modifies and rescinds) fund balance commitments and assignments by passage of a resolution. The Library would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

O. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for the risk of loss including automobile liability, general liability, property damage, workers compensation, errors and omissions, and surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. Cash and Investments

Cash

At December 31, 2019, the Library has cash and cash equivalents (book balances) totaling \$10,416,107 as follows:

Demand deposits	\$	7,858,094
Money market deposits		268,985
Certificates of Deposit		2,288,922
Petty cash		106
	\$	10,416,107

Investments

At December 31, 2019, the Library has the following investments and maturities:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1 year	1-5 Years	6-10 years	Over 10 years
U. S. Government Securities	5,349,370	\$ 1,236,080	\$ 878,220	\$ 2,009,610	\$ 1,225,460
Louisiana Assets Management Pool	590,436	590,436	-	-	-
	\$ 5,939,806	\$ 1,826,516	\$ 878,220	\$ 2,009,610	\$ 1,225,460

The U.S. government securities are stated at fair value based on market quotations. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

DESOTO PARISH LIBRARY
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Notes to the Financial Statements
December 31, 2019

2. Cash and Investments (continued)

The cash and investments of the DeSoto Parish Library are subject to the following risks:

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Library that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Library's name.

At year end, the Library had collected bank balances of \$10,787,806, which were fully protected by \$500,000 of federal depository insurance and pledged securities with a market value of \$9,806,760 held by the custodial banks in the name of the Library.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the Library diversifies its investments by security type and institution.

Credit Risk. Generally, credit risk is the risk that the issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Library's investments comply with Louisiana Statutes (LSA-R.S. 33:2955). Under state law, the Library may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Library may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks organized under Louisiana law and national banks having principal offices in Louisiana.

Investments held at December 31, 2019, include \$590,436 invested with the Louisiana Asset Management Pool (LAMP), a local government investment pool. The Louisiana Asset Management Pool is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

DESOTO PARISH LIBRARY
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Notes to the Financial Statements
December 31, 2019

2. Cash and Investments (continued)

Realized Gains and Losses

During 2019, the Library realized a net gain of \$7,358 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The unrealized loss on investments held at year-end was \$244,568.

3. Accounts Receivable

The following is a summary of the receivables at December 31, 2019:

Sales Tax	\$	449,371
Charges for services		660
Sales of library collection		15
Total Accounts Receivable	\$	<u>450,046</u>

4. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Ending Balance 2018</u>	<u>Increases</u>	<u>Decreases/ reclassifications</u>	<u>Ending Balance 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 172,072	\$ -	\$ -	\$ 172,072
Total assets not being depreciated	<u>172,072</u>	<u>-</u>	<u>-</u>	<u>172,072</u>
Capital assets being depreciated:				
Buildings and improvements	12,017,444	29,376	-	12,046,820
Machinery and equipment	105,062	-	-	105,062
Furniture and fixtures	574,810	-	-	574,810
Library collection	2,257,193	140,656	(82,560)	2,315,289
Total capital assets being depreciated	<u>14,954,511</u>	<u>170,032</u>	<u>(82,560)</u>	<u>15,041,981</u>
Less accumulated depreciation for:				
Buildings and improvements	2,412,580	309,684	-	2,722,264
Machinery and equipment	78,816	6,992	-	85,808
Furniture and fixtures	482,142	27,571	-	509,713
Library collection	1,857,413	132,180	(82,560)	1,907,033
Total accumulated depreciation	<u>4,830,952</u>	<u>476,427</u>	<u>(82,560)</u>	<u>5,224,818</u>
Capital assets being depreciated, net	<u>10,123,559</u>			<u>9,817,163</u>
Governmental activities capital assets, net	<u>\$ 10,295,631</u>			<u>\$ 9,989,235</u>

Depreciation expense charged to culture and recreation is \$476,427 for the year ended December 31, 2019.

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Notes to the Financial Statements
December 31, 2019

5. Pension Plan - *Parochial Employees' Retirement System (PERS)*

Plan Description. The Library contributes to PERS, under Plan B, which is a cost-sharing, multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Plan B was designated for employees that remained in Social Security on the revision date. Sections 1901 through 2025 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:1901-2025) and other general laws of the State of Louisiana govern PERS. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at www.persla.org.

All permanent library employees working at least 28 hours per week are eligible to participate in the System. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join PERS. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

Benefits Provided. The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement.

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

For employees hired prior to January 1, 2007:

At age 55	after 30 years of creditable service
At age 60	after 10 years of creditable service
At age 65	after 7 years of creditable service

For employees hired after January 1, 2007:

At age 55	after 30 years of creditable service
At age 62	after 10 years of creditable service
At age 67	after 7 years of creditable service

Generally, the monthly amount of the retirement allowance of any member of Plan B shall consist of an amount equal to two percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor's Benefits

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

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Notes to the Financial Statements
December 31, 2019

5. Pension Plan - *Parochial Employees' Retirement System (PERS)* (continued)

Disability Benefits

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost-of-Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (LA R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for PERS. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in DROP in which they enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of the Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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Notes to the Financial Statements
December 31, 2019

5. Pension Plan - Parochial Employees' Retirement System (PERS) (continued)

Employer Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarially determined contribution rate was 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2018 was 7.5%.

According to state statute, PERS also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities. The non-employer contribution was \$10,768.

The Library's contractually required composite contribution rate for the year ended December 31, 2019, was 7.5% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Library were \$73,312, \$64,400 and \$64,495 for the years ended December 31, 2019, 2018, and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At December 31, 2019, the Library reported a liability of \$221,747 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Library's proportion of the Net Pension Liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Library's proportion was .820782%, which was a decrease of .025784% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Library recognized pension expense of \$46,932 plus or minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions.

At December 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 49,407
Changes of assumptions	61,615	-
Net difference between projected and actual earnings on pension plan investments	151,844	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,352	1,359
Differences between contributions remitted to the system and the employer's proportionate share recognized in pension expense	122	-
Employer contributions subsequent to the measurement date	70,349	
Total	\$ 285,282	\$ 50,766

DESOTO PARISH LIBRARY
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Notes to the Financial Statements

December 31, 2019

5. Pension Plan - *Parochial Employees' Retirement System (PERS)* (continued)

The deferred outflows of resources related to pensions resulting from the DeSoto Parish Library's contributions subsequent to the measurement date in the amount of \$70,349 will be recognized as a reduction of the net pension liabilities in the year of December 31, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31	
2020	52,076
2021	23,381
2022	22,250
2023	66,460
Total	<u>164,167</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2019, is as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Life	4 Years
Investment Rate of Return	6.50%, net of investment expense, including inflation
Projected Salary Increases	4.25%
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale for employees. Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Inflation Rate	2.40%

The discount rate used to measure the total pension liability was 6.50% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contributions rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Notes to the Financial Statements
December 31, 2019

5. Pension Plan - Parochial Employees' Retirement System (PERS) (continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Fixed Income	35.00%	1.22%
Equity	52.00%	3.45%
Alternatives	11.00%	0.65%
Real assets	2.00%	0.11%
	<u>100.00%</u>	<u>5.43%</u>
Inflation		2.00%
Expected Arithmetic Nominal Return		<u>7.43%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Library's proportionate share of the Net Pension Liability using the discount rate of 6.5%, as well as what the Library's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.5%) or one percentage-point higher (7.5%) than the current rate:

	1% decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
Employer's proportionate share of net pension liability	\$ 583,397	\$ 221,747	\$ (80,393)

DESOTO PARISH LIBRARY
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Notes to the Financial Statements
December 31, 2019

6. Post-employment Benefits

The Library does not provide any post-employment benefits; therefore, no disclosure for GASB 45 is required

7. Compensated Absences

Compensated absences represent accumulated and vested employee leave benefits computed in accordance with GASB Codification Section C60. For the portion of the salaries paid by the DeSoto Parish Library, the cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as current-year expenditure in the governmental funds when leave is actually taken. As of December 31, 2019, the Library's compensated absences payable amounted to 2,639.92 hours with a resulting liability of \$66,285.

8. Subsequent Events

Management has evaluated subsequent events through August 12, 2020, which is the date the financial statements were available to be issued and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

In the spring of 2020, there was a global outbreak of a new strain on coronavirus, COVID-19. The public health crisis caused volatile economic conditions, impacting financial markets and disrupting general business activities across the United States. The timing and extent of the impact of COVID-19 on the Library's current and future operations is unknown at the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION
(PART II)

DESOTO PARISH LIBRARY
Mansfield, Louisiana

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive(Negative)
REVENUES				
Sales and use tax	\$ 2,707,511	\$ 2,707,511	\$ 2,681,119	\$ (26,392)
Ad valorem tax	-	-	-	
Charges for services	33,072	33,072	31,917	(1,155)
Operating grants and contributions	500	500	5,507	5,007
Investment earnings	165,773	165,773	454,516	288,743
Miscellaneous	-	-	6,119	6,119
TOTAL REVENUES	<u>2,906,856</u>	<u>2,906,856</u>	<u>3,179,178</u>	<u>266,203</u>
EXPENDITURES				
Personal services & related benefits	1,503,725	1,575,480	1,626,919	(51,439)
Operating expenses	286,011	286,011	264,150	21,861
Material & supplies	135,704	135,704	148,447	(12,743)
Travel & other charges	8,000	8,000	2,824	5,176
Capital outlays	174,900	174,900	170,032	4,868
TOTAL EXPENDITURES	<u>2,108,340</u>	<u>2,180,095</u>	<u>2,212,372</u>	<u>(32,277)</u>
NET CHANGE IN FUND BALANCE	798,516	726,761	966,806	233,926
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	2,378	2,378
Insurance proceeds	-	-	27,079	27,079
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>-</u>	<u>29,457</u>	<u>29,457</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	798,516	726,761	996,263	263,383
FUND BALANCE				
Beginning of the year	15,785,645	15,785,645	15,785,645	-
End of the year	<u>\$ 16,584,161</u>	<u>\$ 16,512,406</u>	<u>\$ 16,781,908</u>	<u>263,383</u>

See independent auditor's report and accompanying notes to required supplementary information.

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SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

For year ended December 31, 2019

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
Parochial Employees' Retirement System (PERS) Plan B					
2019	0.82078%	\$ 221,747	\$ 858,662	26%	91.9%
2018	0.79500%	\$ (100,027)	\$ 806,188	-12%	104.0%
2017	0.89536%	\$ 116,314	\$ 891,951	13%	95.5%
2016	0.75908%	\$ 135,150	\$ 946,797	14%	93.5%
2015	1.04105%	\$ 2,891	\$ 954,630	0.30%	99.9%

**Amounts presented were determined as of the measurement date of the net pension plan.*

See independent auditor's report and accompanying notes to required supplementary information.

DESOTO PARISH LIBRARY
Mansfield, Louisiana

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For year ended December 31, 2019

Year	Statutorily Required Contributions	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Parochial Employees' Retirement System (PERS)					
2019	\$ 70,349	\$ 70,349	\$ -	\$ 937,980	7.5%
2018	\$ 64,400	\$ 64,400	\$ -	\$ 858,662	7.5%
2017	\$ 64,495	\$ 64,495	\$ -	\$ 806,188	8.0%
2016	\$ 71,356	\$ 71,356	\$ -	\$ 891,951	8.0%
2015	\$ 85,412	\$ 85,412	\$ -	\$ 946,797	9.0%

*Amounts presented were determined as of the end of the fiscal year.

DESOTO PARISH LIBRARY
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Notes to Required Supplementary Information
As of and for the Year ended December 31, 2019

Budgetary Information

The Library uses the following budget practices:

The proposed budget for the General Fund is prepared on the modified accrual basis of accounting and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year. The budget is then legally adopted by the Library and amended during the year, as necessary. The budget is established and controlled by the Library at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes or amendments to the budget must be approved by the Library Board.

Formal budgetary integration is employed as a management control device during the year, and encumbrance accounting is not used by the Library. The budget was amended during the year.

The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year. Amendments to the adopted budget are required if total revenues fail to meet budgeted revenues by 5% or more, and/or total actual expenditures exceed total budgeted expenditures by 5% or more. Total revenues were more than budgeted revenues. Actual expenditures were only 1.5% over than budgeted amounts. The DeSoto Library is in compliance with the Local Government Budget Act.

Pension Information

The pension schedules are intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTAL INFORMATION

DESOTO PARISH LIBRARY
Mansfield, Louisiana

**Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer**

For the year ended December 31, 2019

Purpose:	Delbert Terry
	<u>Director</u>
Salary	\$ 80,349
Benefits- insurance	24,317
Benefits- retirement	6,176
Benefits- Social Security/ Medicare	5,713
Car Allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	1,453
Membership dues	665
Conferences and seminars	892
Continuing professional education fees	-
Cell phone	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$ 119,565</u>

This schedule is included as required by Louisiana R.S. 24:513(A)(3).

See independent auditor's report.

**OTHER REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

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Mansfield, Louisiana

Fax No. 318-872-1357

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Control
DeSoto Parish Library
Mansfield, Louisiana

We have audited in accordance with the 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 and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities and the major fund of the Desoto Parish Library, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the DeSoto Parish Library's basic financial statements and have issued our report thereon dated August 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Desoto Parish Library's internal control over financial reporting 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 Desoto Parish Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Desoto 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 a 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 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 Desoto Parish Library'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 or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The 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 any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
August 12, 2020

**DESOTO PARISH LIBRARY
Mansfield, Louisiana**

**Schedule of Findings
For the Year Ended December 31, 2019**

A. SUMMARY OF AUDIT RESULTS

The following summarize the audit results in accordance with Uniform Guidance:

1. An unmodified opinion was issued on the financial statements of the DeSoto Parish Library as of and for the year ended December 31, 2019.
2. The audit disclosed no instances of material weakness in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

B. FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*.

Internal Control-

None identified.

Compliance-

None identified.

**DESOTO PARISH LIBRARY
Mansfield, Louisiana**

**Schedule of Prior Year Findings
For the Year Ended December 31, 2019**

None.