

# **ST. JOHN THE BAPTIST PARISH LIBRARY**

## ***Annual Financial Report***

As of and for the Year Ended

December 31, 2018

**KEITH J. ROVIRA**  
*Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Control  
St. John the Baptist Parish Library  
A Component Unit of the St. John the Baptist Parish Council  
LaPlace, Louisiana

**Report on the Financial Statements**

I have audited the accompanying financial statements of the St. John the Baptist Parish Library, a component unit of the St. John the Baptist Parish Council, as of and for the year ended December 31, 2018, 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**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 Library'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 Library's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the St. John the Baptist Parish Library, as of December 31, 2018, and the respective changes in net position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note M to the financial statements, in 2018 the St. John the Baptist Parish Library adopted and implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. As a result of this change in accounting principle, the Library's Net Position at the Beginning of the Year at December 31, 2017, on the Statement of Activities required restatement. My opinion is not modified with respect to this matter.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 Government 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. John the Baptist Parish Library's basic financial statements. The supplementary information schedules, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated June 27, 2019, on my consideration of the St. John the Baptist Parish Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith J. Rovira  
Certified Public Accountant  
Metairie, Louisiana

June 27, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2018

The Management's Discussion and Analysis (MD&A) of the St. John the Baptist Parish Library's financial performance presents a narrative overview and analysis of the Library's financial activities for the year ended December 31, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the basic financial statements. The MD&A is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June, 1999. Certain comparative information between the current year and prior year has been presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

The minimum requirements for financial reporting on the St. John the Baptist Parish Library's office that was established by GASB No. 34 are divided into the following sections:

- (a) Management's Discussion and Analysis
- (b) Basic Financial Statements
- (c) Required Supplementary Information (other than MD&A)

#### **Basic Financial Statements:**

The basic information statements present information for the Library as a whole, in a format designed to make the statements easier for the reader to understand. The financial statements in this section are divided into the two following types:

- (1) **Government – Wide Financial Statements**, which include a Statement of Net Position and Statement of Activities. These statements present financial information for all activities of the Library from an economic resources measurement focus using the accrual basis of accounting and providing both short-term and long-term information about the Library's overall financial status.
- (2) **Fund Financial Statements**, which include a Balance Sheet and a Statement of Revenues, Expenses, and Changes in Fund Balance for the General Fund (a governmental fund). These financial statements present information on the individual fund of the Library allowing for more detail. The current financial resources measurement focus and the accrual basis of accounting used to prepare these statements is dependent on the fund type. The Library's main governmental fund is the General Fund. The statements in this section represent the short-term financing of general government.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Management's Discussion and Analysis  
 As of and for the Year Ended December 31, 2018

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Position  
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current and other assets	\$13,291,796	\$12,192,052
Capital assets	<u>4,963,139</u>	<u>5,213,314</u>
Total Assets	<u>18,254,935</u>	<u>17,405,366</u>
Deferred Outflows of Resources	<u>157,331</u>	<u>345,167</u>
Current liabilities	522,749	208,950
Long-term liabilities	<u>1,735,933</u>	<u>1,521,732</u>
Total Liabilities	<u>2,258,682</u>	<u>1,730,682</u>
Deferred Inflows of Resources	<u>369,853</u>	<u>63,114</u>
Net Position:		
Invested in capital assets, net of debt	4,963,139	5,213,314
Restricted for endowment	5,000	5,000
Unrestricted	<u>10,815,592</u>	<u>10,738,423</u>
Total Net Position	<u>\$15,783,731</u>	<u>\$15,956,737</u>

The Library has a net position "restricted" for an endowment totaling \$5,000. Restricted net positions represent those portions of net positions legally segregated for a specific future use.

The Library also has "unrestricted" net positions, and those are net positions that do not have any limitations on what the amounts may be used for.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Management's Discussion and Analysis  
 As of and for the Year Ended December 31, 2018

**Statement of Revenue, Expenditures and Changes in Fund Balance**  
 For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues	\$4,175,291	\$4,363,941
Expenditures	<u>(3,490,461)</u>	<u>(3,554,821)</u>
Net Change in Fund Balance	<u>\$684,830</u>	<u>\$809,120</u>

The decrease in the Net Change in Fund Balance from 2017 to 2018 amounts was due to an increase in major building repair costs and a reduction in ad valorem tax revenue for the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The Library had a net book value of \$4,963,139 invested in a broad range of capital assets, including the Library collection, furniture and equipment, buildings, parking lot and land as of December 31, 2018. This amount represents the original cost of all capital assets less total accumulated depreciation.

Even though the Library is restricted by state statute from owning buildings and land (real property), GASB Statement No. 34 requires that buildings be reported as capital assets on the Library's Statement of Net Position and depreciated annually, as applicable, because the Library has primary responsibility for managing and maintaining the building.

The table below lists capital assets by type, and the accumulated depreciation as of year-end:

	<u>2018</u>	<u>2017</u>
<u>Capital Assets</u>		
Library collection	\$3,648,791	\$3,606,540
Furniture and equipment	1,317,728	1,345,240
Buildings	5,702,052	5,702,052
Land	<u>40,000</u>	<u>40,000</u>
	10,708,571	10,693,832
Less: Accumulated depreciation	<u>(5,745,432)</u>	<u>(5,480,518)</u>
Net Capital Assets	<u>\$4,963,139</u>	<u>\$5,213,314</u>

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2018

Debt (Long-term Liabilities)

The Library's long-term debt outstanding at year end totaled \$1,735,933, and was comprised of other post-employment benefit obligations (OPEB - GASB 75) of \$1,826,968, net pension asset of \$(124,269), and accrued annual leave of \$33,234.

**ECONOMIC FACTORS AND THE 2019 BUDGET**

The Library considered the following factors and indicators when preparing its budget for the 2019 fiscal year-end: (1) ad valorem revenue will remain at approximately the same level as last year; and (2) the Library anticipates that personnel costs, operating services, materials and supplies, capital outlays, and the costs of adding to the Library collection will remain approximately the same year over year.

The Library expects that anticipated revenues and existing available funds for the year will be sufficient to meet its anticipated operating expenses.

**CONTACTING THE LIBRARY'S MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the Library's finances, and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Library Director of the St. John the Baptist Parish Library, 2920 Highway 51, LaPlace, Louisiana, 70068, or telephone, 985-652-6857.

**BASIC FINANCIAL STATEMENTS**  
**(GOVERNMENT-WIDE FINANCIAL STATEMENTS)**

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana  
Statement of Net Position  
December 31, 2018

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash	\$8,821,776
Ad valorem tax receivables	4,501,189
Allowance for uncollectibles	(90,024)
State revenue sharing receivables	<u>58,855</u>
Total Current Assets	<u>13,291,796</u>
Noncurrent Assets:	
Capital assets (net of depreciation)	<u>4,963,139</u>
Total Noncurrent assets	<u>4,963,139</u>
TOTAL ASSETS	<u>18,254,935</u>
<b>Deferred Outflows of Resources</b>	<u>157,331</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts and payroll deductions payable	345,652
Sheriff's pension contribution payable	<u>177,097</u>
Total Current Liabilities	<u>522,749</u>
Long-term Liabilities:	
Accrued annual leave	33,234
Net other post-employment benefit obligations	1,826,968
Net pension liability(asset)	<u>(124,269)</u>
Total Long-term Liabilities	<u>1,735,933</u>
TOTAL LIABILITIES	<u>2,258,682</u>
<b>Deferred Inflows of Resources</b>	<u>369,853</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	4,963,139
Restricted for endowment	5,000
Unrestricted	<u>10,815,592</u>
TOTAL NET POSITION	<u>\$15,783,731</u>

The accompanying notes are an integral part of this statement.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Statement of Activities  
 As of and for the year ended December 31, 2018

**EXPENSES**

## General government - library services:

Personal services	\$1,975,943
Change in net pension liability	(480,612)
Change in OPEB liability per GASB 75 implementation	332,772
Operating services	595,544
Material and supplies	143,826
Travel and other charges	9,051
Capital outlay	588,561
Depreciation	522,655
Deductions from ad valorem taxes for the Sheriff's retirement system	<u>177,097</u>
 Total Expenses	 <u>3,864,837</u>

**GENERAL REVENUES**

Ad valorem taxes	4,387,008
State revenue sharing	88,282
Fees, fines and charges for library services	42,801
Interest earnings	27,852
Nonemployer contributions	12,447
Other revenue	<u>18,167</u>
 Total General Revenues	 <u>4,576,557</u>

Change in Net Position	711,720
Net Position at Beginning of Year, as restated (Note M)	<u>15,072,011</u>
Net Position at End of Year	<u>\$15,783,731</u>

The accompanying notes are an integral part of this statement.

**BASIC FINANCIAL STATEMENTS**  
**(FUND FINANCIAL STATEMENTS)**

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Balance Sheet  
 Governmental Fund – General Fund  
 December 31, 2018

**ASSETS**

Cash	\$8,821,776
Ad valorem tax receivables	4,501,189
Allowance for uncollectible ad valorem taxes	(90,024)
State revenue sharing receivables	<u>58,855</u>
 Total Assets	 <u>\$13,291,796</u>

**LIABILITIES AND FUND BALANCE**

## Liabilities – Current:

Accounts and payroll deductions payable	\$345,652
Sheriff's pension contribution payable	<u>177,097</u>
 Total Liabilities	 <u>522,749</u>

## Fund Balance:

Nonspendable	-
Restricted-endowment	5,000
Committed	-
Assigned	-
Unassigned	<u>12,764,047</u>

Total Fund Balance	<u>12,769,047</u>
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Total Liabilities and Fund Balance	<u>\$13,291,796</u>
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The accompanying notes are in integral part of this statement.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
**LaPlace, Louisiana**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**General Fund**  
**December 31, 2018**

Total Fund Balance of Governmental Fund		<b>\$12,769,047</b>
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the Governmental Fund Balance Sheet, net of accumulated depreciation		4,963,139
The deferred outflows of expenditures are not a use of current resources, therefore, are not reported in the funds:		
Pension plan		157,331
Long-term liabilities of governmental activities are not payable from current resources, therefore, not reported in the funds:		
Accrued annual leave	(33,234)	
Net other post-employment benefit obligation	(1,826,968)	
Net pension asset	<u>124,269</u>	(1,735,933)
The deferred inflows of contributions are not a use of current resources, therefore, are not reported in the funds:		
Pension plan and post-employment benefit obligation		<u>(369,853)</u>
Total Net Position of Governmental Activities		<b><u>\$15,783,731</u></b>

The accompanying notes are an integral part of this statement.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
**LaPlace, Louisiana**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Governmental Fund – General Fund**  
**For the Year Ended December 31, 2018**

**REVENUES**

Intergovernmental revenues -	
Ad valorem taxes	\$3,949,288
State revenue sharing	88,809
Fees, fines & charges for library services	42,801
Interest earnings	27,852
Other revenue	<u>18,267</u>
 Total Revenues	 <u>4,127,017</u>

**EXPENDITURES**

General government - library services:	
Personnel services	1,908,786
Operating services	588,073
Material & supplies	132,466
Travel and other charges	8,665
Capital outlay	688,265
Deductions from ad valorem taxes for Sheriff's retirement system	<u>164,206</u>
 Total Expenditures	 <u>3,490,461</u>
 Net Change in Fund Balance	 636,556
 Fund Balance at Beginning of Year	 <u>12,228,494</u>
 Fund Balance at End of Year	 <u>\$12,865,050</u>

The accompanying notes are an integral part of this statement.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
**LaPlace, Louisiana**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended December 31, 2018**

Net change in fund balance per the Statement of Revenues, Expenditures and Changes in Fund Balance	<b>\$636,556</b>
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The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense	(522,655)
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Some items reported in the Statement of Net Position do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Net change in accrued annual leave payables	\$ (8,783)	
Net change in OPEB obligation	620,565	
Net change in pension liability and related deferreds	<u>(13,963)</u>	<u>597,819</u>

Change in net position per the Statement of Activities	<b><u>\$711,720</u></b>
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The accompanying notes are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

## INTRODUCTION

The St. John the Baptist Parish Library was established by the parish governing authority under provisions of Louisiana Revised Statute (LSA-R.S.) 25:211 and is governed by a Board of Control that is appointed by the Parish Council in accordance with provisions of LSA-R.S. 25:214. The Library provides citizens of the parish access to Library materials in print resources, such as books and magazines, as well as a wide variety of non-print resources, such as DVD's, several formats of audio-books, online research databases and electronic reference resources, electronic downloadable books (e-books), internet access and a small selection of music on compact disk. In addition to print and non-print resources, the Library provides the public access to computer workstations in all branches, conducts programs for children and adults, and provides access to meeting rooms when these spaces are not being used for Library programs. The assets of the Library are made available to nonresidents through a small fee for a non-resident card and through an inter-library loan agreement with the State Library of Louisiana.

One main Library and three branch libraries served St. John the Baptist Parish with a population of approximately 43,000 people in the current year as estimated by the United States Census Bureau. The Library has continued to expand its electronic access services of informational, instructional, and entertainment databases, e-books, downloadable audio books, music and streaming video (movies) in addition to the resources offered through the State Library of Louisiana via the Louisiana Library Connection database program. A continuing increase of marketing for Library resources and programs serves to inform the public on the variety and value of these resources and services.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying basic financial statements of the St. John the Baptist Parish Library have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The St. John the Baptist Parish Library has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments*. In this regard, the Library will be treated as a governmental-type activity for financial reporting purposes in this audit. The minimum requirements

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

for the Library established by GASB Statement No. 34 are divided into the following sections: (a) Management's Discussion and Analysis (b) Basic Financial Statements, and (c) Required Supplementary Information (other than MD&A). The accompanying financial statements of the St. John the Baptist Parish Library present information only as to the transactions of the programs of the Library as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied

**Revenue Recognition**

Revenues are recognized using the full accrual basis of accounting; therefore, revenues, including ad valorem taxes, state revenue sharing, intergovernmental revenue, interest and other revenues of the library, are recognized in the accounting period in which they are earned and become measurable.

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. They are recognized as revenue in the year the taxes are assessed.

**Expense Recognition**

Expenses are also recognized on the accrual basis; therefore, expenses, including salaries, operating services and expenses, materials and supplies, travel, capital outlay, intergovernmental expenses, etc. are recognized in the period incurred, if measurable.

**2. Reporting Entity**

As the governing authority of the parish, for reporting purposes, the St. John the Baptist Parish Council is the financial reporting entity for St. John the Baptist Parish. The financial reporting entity consists of (a) the primary government (St. John the Baptist Parish Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the St. John the Baptist Parish council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the parish council to impose its will on that organization, and/or
  - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the parish council.
2. Organizations for which the parish council does not appoint a voting majority, but are fiscally dependent on the parish council.
3. Organization for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Because the parish council appoints the governing board and because of the scope of public service, the Library was determined to be a component unit of St. John the Baptist parish Council, the governing body of the parish and the governmental body with oversight responsibility.

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

4. Fund Accounting

The Library uses governmental fund types to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Notes to the Financial Statements  
December 31, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Library's governmental fund type is described as follows:

a. General Fund

The General Fund is the principal fund of the Library and accounts for general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of capital assets. The various taxes, fees and charges due to the Library are accounted for in this fund, as well as, general operating expenditures.

5. Budget – General Fund

The proposed General Fund budget for the Library was prepared on the cash basis of accounting. This budget was completed, advertised in the local paper, and made available for public inspection at the Library on November 15, 2017. A public hearing was held on December 4, 2017, for suggestions and comments from the public, after which the proposed budget was formally adopted on that date. The budgets which included proposed cash expenditures and the means of financing them were published in the official journal prior to the public hearing. All appropriations lapse at year end, and any accounts payable outstanding at year end are included in the next year's budget with funds appropriated in that year to finance them. Formal budget integration is not employed as a management control device during the year; however, the administrative librarian monitors the budget during the year.

The administrative librarian is authorized to transfer amounts between line items within any fund. When actual cash revenues fail to meet budgeted cash revenues by five percent or more and/or actual cash expenditures exceed budgeted expenditures by five percent or more, a budget amendment to reflect such change is adopted by the Library Board in an open meeting. Budget amounts included in the accompanying financial statements include the original adopted budgets and all subsequent amendments.

The original budget was amended, advertised in the local paper, and made available for public inspection at the Library on October 31, 2018. A public hearing was held on December 12, 2018, for suggestions and comments from the public, after which, the proposed amendments were formally adopted on that date.

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****6. Cash Deposits**

Cash deposits include amounts in interest bearing demand deposits and a savings account. Under state law, the Library may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, U.S. Treasury Bills or certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**7. Receivables**

There was a 2% allowance for doubtful accounts set up based on past experience of the differences between the amount of ad valorem taxes received and accrued as recorded on the financial statements.

**8. Capital Assets**

Capital assets are recorded at either historical cost or estimated historical cost and are depreciated over their estimated useful lives (excluding salvage value). Additions to the Library collection are currently being recorded at the actual purchase price of the item. Any donated capital assets are recorded at their estimated fair value at the date of donation. The estimated useful life of an asset is management's estimate of how long the asset is expected to meet its service demands. Straight-line depreciation is used based on the following estimated useful lives: furniture and equipment - 5 years; vehicles - 5 years; outdoor metal furniture and parking lot - 20 years; library collection - 7 years; building - 40 years.

The Library Board has a policy to record and depreciate furniture and equipment items that have a purchase price of \$1,000 or more.

Also, GASB Statements No. 34 requires that buildings be reported as capital assets on the Library's Statement of Net Position and depreciated annually over 40 years, as applicable, because the Library has primary responsibility for managing and maintaining its buildings.

**9. Annual and Sick Leave**

Vacation (annual) leave is accumulated by employees at a variable rate, which is predetermined by the Library Board and depends on the employee's years of service.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The leave is accumulated on a per month basis and is credited at the end of each month. Upon separation from employment, the employee is paid for all vacation leave that is accumulated and credited to the employee. Employees may accumulate a maximum of two and one half times their rate of annual leave. A long-term liability is set up on the financial statements to account for the amount due to employees who have accumulated annual leave as of the end of the year.

Sick leave is granted to full-time, permanent employees at the rate of 12 working days (96 hours) per calendar year. Any unused amount of sick leave can be accumulated without limit and carried forward from one year to the next indefinitely. No compensation for unused sick leave is paid to employees upon retirement or termination. Unused sick leave is recorded and maintained for each employee and retiree in accordance with the rules of the Parochial Employees' Retirement System so that upon retirement the unused amount can be converted to additional retirement credit.

10. Restricted Net Position  
 Restricted net position represents those portions of assets legally segregated for a specific future use. The Library restricts assets on the Statement of Net Position for an endowment received in 1976.
11. Encumbrances  
 Encumbrance accounting is not utilized by the Library due to the nature of operations and the ability of management to monitor budgeted expenses on a timely basis.
12. Use of Estimates  
 The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
13. Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position  
 In some instances, the GASB requires a governmental body to delay recognition of decreases in net position as expenditures until a further

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

period. In other instances, governments are required to delay recognition of increases in net position as revenues until a further period. In these circumstances, deferred outflows and inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

**14. Equity Classification**

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt: 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 assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups, such as creditors, grantors, contributors, or law or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: all other assets that do not meet the definition of “invested in capital assets, net or related debt” or “restricted net position,” or deferred outflows of resources, liabilities, and deferred inflows of resources.

In the fund financial statements, governmental fund equity is classified as fund balance. The Library has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As such, fund balances of the governmental funds are classified as follows:

**Nonspendable:** Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted:** Amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.

**Committed:** Amounts that can be used only for specific purposes determined by a formal action of the Library Board. The Board is the highest level of decision making authority for the Library. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the board.

**Assigned:** Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the Library's adopted policy, only the Board may assign amounts for specific purposes.

**Unassigned:** All other spendable amounts.

	<u>All Funds</u>
Nonspendable:	-
Restricted – endowment:	\$ 5,000
Committed:	-
Assigned:	-
Unassigned:	<u>12,764,047</u>
Total	<u>\$12,769,047</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
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**NOTE B – LEVIED TAXES**

Through the parish council, the Library is authorized to levy a 10-mill ad valorem tax for Library operations, maintenance and construction. The Library levied and received 9.94 mills for the year ended December 31, 2018.

**NOTE C – CASH**

At December 31, 2018, the carrying amounts (book balances) of all cash of the Library was as follows:

Cash on hand	\$ 550
Interest bearing checking	8,813,401
Savings accounts (Endowment)	<u>7,825</u>
Total	<u>\$8,821,776</u>

These deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2018, the Library had \$8,886,901 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$8,809,640 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

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 has failed to pay deposited funds upon demand.

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**NOTE D – CAPITAL ASSETS**

The capital assets used in the governmental-type activities are included on the Statement of Net Position of the Library and are capitalized at historical cost. Depreciation of all exhaustible capital assets used by the Library is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the Statement of Net Position. Depreciation expense for financial reporting purposes is computed using the straight-line method over the useful lives of the capital assets and is reported in the Statement of Activities.

A summary of changes in capital assets and accumulated depreciation during the year is listed as follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/18</u>
<b><u>Capital Assets (at Cost):</u></b>				
Library collection	\$3,606,540	\$224,049	\$181,798	\$3,648,791
Furniture & Equipment	1,345,240	72,877	100,389	1,317,728
Buildings	5,702,052	-	-	5,702,052
Land	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total	<u>\$10,693,832</u>	<u>\$296,926</u>	<u>\$282,187</u>	<u>\$10,708,571</u>
<b><u>Less: Accumulated Depreciation:</u></b>				
Library collection	\$2,949,011	\$279,417	\$181,798	\$3,046,630
Furniture & Equipment	1,106,307	83,607	75,943	1,113,971
Buildings	1,425,200	159,631	-	1,584,831
Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,480,518</u>	<u>\$522,655</u>	<u>\$257,741</u>	<u>\$5,745,432</u>

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**NOTE E – PENSION PLAN**

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

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 position of the Parochial Employees Retirement System of Louisiana and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description:** The System was established and provided for by R.S.11:1901-2025 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of the System.

**Eligibility requirements:** All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January 1997, elected officials, except coroners, justice of the peace, and parish presidents may no longer join the system.

For employees hired prior to January 1, 2007:

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

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**NOTE E – PENSION PLAN (CONTINUED)**

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three 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 benefits: Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

DROP benefits: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. 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 who is eligible to retire may elect to participate in DROP in which they are 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 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 remains 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

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**NOTE E – PENSION PLAN (CONTINUED)**

**Board of Trustees.** These subaccounts may be credited with interest based on money market rates of return, or at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, 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.

**Disability Benefits:** For Plan A, a member shall be eligible to retire and receive a disability benefit if they were 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 A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

**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 (RS 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.

**Employer contributions:** According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of a member's compensation for Plan A. However, the actual rate for the year ended December 31, 2016, was 12.5% for Plan A.

According to state statute, the System also receives one-fourth of one percent of ad valorem taxes collected within respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned

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**NOTE E – PENSION PLAN (CONTINUED)**

between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Non-employer contributions are recognized as revenue in the amount of \$12,447, and excluded from pension expense for the year ended December 31, 2018.

**Employer allocations:** The schedule of employer allocations reports the required projected employer contributions, in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of the System.

The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts. The allocation method used in determining each employer's proportion was based on the employer's contributions to the plan during the fiscal year ended December 31, 2017, as compared to the total of all employers' contributions received by the plan during the same fiscal year end.

**Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions:** At December 31, 2018, the Library reported an asset of \$124,269 for its proportionate share of the Net Pension Liability/(Asset). The Net Pension Liability/(Asset) was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date. The Library's proportion of the Net Pension Liability/(Asset) 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, 2017, the Library's proportion was 0.167423%.

For the year ended December 31, 2018, the Library recognized pension expense of \$155,375.

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NOTE E – PENSION PLAN (CONTINUED)

At December 31, 2018, the Library reported deferred outflows of resources and deferred inflows of resource related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	\$80,442
Net difference between projected and actual earnings on pension plan investments	-	287,098
Changes in assumptions	\$156,846	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>485</u>	<u>2,313</u>
	<u>\$157,331</u>	<u>\$369,853</u>

Deferred outflows of resources of \$157,331 will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year <u>Ended</u>	
2018	\$ 18,338
2019	(19,815)
2020	(97,255)
2021	<u>(113,790)</u>
Total	<u>\$(212,522)</u>

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**NOTE E – PENSION PLAN (CONTINUED)**

Contributions – proportionate share: Differences between contributions remitted to the System and the employer’s proportionate share are recognized in pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

Actuarial assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service, less the amount of the pension plan’s fiduciary net position.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2004 through December 31, 2009. The data was then assigned credibility weighting and combined with a standards table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities.

Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017, are as follows:

Valuation Date: December 31, 2017

Actuarial Cost Method: Plan A – Entry Age Normal

Investment Rate of Return: 6.75%, net of investment expenses, including inflation

Expected Remaining Service Lives: 4 years

Projected Salary Increases: Plan A – 5.25% (2.75% Merit/2.50% Inflation)

Inflation rate: 2.50%

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**NOTE E – PENSION PLAN (CONTINUED)**

**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 increase not yet authorized by the Board of Trustees.

**Mortality:** RP-2000 Employee Sex Distinct Table was selected for active members. RP-2000 Healthy Annuitant Sex Distinct Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

**Discount rate:** The discount rate used to measure the total pension liability was 6.75% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contributions rates and contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution 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.

**Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate:** The following presents in the discount rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1.00% Decrease <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Employer's proportionate share of the net pension liability	\$612,692	\$(124,269)	\$(780,484)

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Notes to the Financial Statements

December 31, 2018

**NOTE E – PENSION PLAN (CONTINUED)**

**Change in net pension liability:** The changes in the net pension liability for the year ended December 31, 2018, were recognized in the current reporting period except as follows:

- a. **Differences between expected and actual experience:** Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual resulted in a deferred outflow of resources in the amount of \$80,442.
- b. **Differences between projected and actual investment earnings:** Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources in the amount of \$287,098.
- c. **Changes in assumptions:** The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes in assumptions resulted in a deferred outflow of resources in the amount of \$156,846.
- d. **Change in proportion:** Changes in the employer's proportionate shares of the collective net pension liability and collected deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of resources in the amount of \$485, and a deferred inflow of resources in the amount of \$2,313.

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Notes to the Financial Statements

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**NOTE F – ACCRUED ANNUAL LEAVE**

At December 31, 2018, employees of the Library have accumulated and vested amounts of employee annual leave benefits, which are computed in accordance with GASB Codification Section C60. The amount is recorded in the Statement of Net Position as a long-term liability, and the calculation is based on the number of hours each employee has earned and credited to their benefit times their individual hourly rate at the end of the year.

The following is a summary of the changes in accrued annual leave during the year:

Accrued annual leave payable at December 31, 2017	\$24,451
2018 Additions	55,239
2018 Deductions	<u>(46,456)</u>
Accrued annual leave payable at December 31, 2018	<u>\$33,234</u>

**NOTE G – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

**Plan description:** The St. John the Baptist Parish Library (the Library) provides certain continuing health care and life insurance benefits for its retired employees. The St. John the Baptist Parish Library's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Library. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Library. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, *Post-Employment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

**Benefits Provided:** Medical and life insurance benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Employees retirement eligibility (D.R.O.P. entry) provisions are as follows: Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose

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**NOTE G – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

Life insurance coverage is provided to retirees and 100% of the blended rate (active and retired) is paid by the employer. A level \$25,000 amount of insurance coverage while active is continued after retirement.

Employees covered by benefit terms: At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>21</u>
	<u>36</u>

**Total OPEB Liability**

The Library's total OPEB liability of \$1,826,968 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs: The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate:	2.5%
Salary increases:	3.0%, including inflation
Discount rate:	3.44%, annually (Beginning of Year to Determine ADC)
	4.10%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates:	Flat 5.5% annually (3% post Medicare eligibility)

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**NOTE G – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

**Changes in the Total OPEB Liability**

Balance at December 31, 2017	<u>\$2,025,664</u>
Changes for the year:	
Service cost	45,595
Interest	70,467
Differences between expected and actual experience	(34,047)
Changes in assumptions	(136,419)
Benefit payments and net transfers	<u>(144,292)</u>
Net changes	<u>(198,696)</u>
Balance at December 31, 2018	<u>\$1,826,968</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1.00% Decrease <u>3.10%</u>	Current Discount Rate <u>4.10%</u>	1.00% Increase <u>5.10%</u>
Total OPEB liability	\$2,035,232	\$1,826,968	\$1,652,331

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December 31, 2018

**NOTE G – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current healthcare trend rates:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	<u>4.50%</u>	<u>5.50%</u>	<u>6.50%</u>
Total OPEB liability	\$1,674,052	\$1,826,968	\$2,007,942

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the Library recognized OPEB expense of \$99,015. At December 31, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	-	\$(30,642)
Changes in assumptions	-	<u>(122,777)</u>
Total	-	<u>\$(153,419)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:

2019	\$(17,047)
2020	\$(17,047)
2021	\$(17,047)
2022	\$(17,047)
2023	\$(17,047)
Thereafter	\$(68,186)

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

**NOTE H – LEASES AND COMMITMENTS**

The Library has entered into separate operating lease agreements for 5 copy machines for the main library and its branch locations.

Total annual remaining minimum lease commitments for all copier operating leases are as follows:

Year ending December 31:

2019	\$14,064
2020	14,064
2021	11,976
2022	<u>8,028</u>
Total	<u>\$48,132</u>

The Library has no other capital or operating leases at December 31, 2018.

**NOTE I – ENDOWMENT (RESTRICTED ASSET)**

On August 19, 1976, the Library received an endowment of \$5,000 in memory of Dr. John Smyth. In accordance with the endowment agreement, this money is invested in an interest-bearing account. The interest earnings from this investment are used to purchase books for the library.

**NOTE J – LITIGATION**

The Library Board was a defendant in three lawsuits outstanding at December 31, 2018. For two of the lawsuits, it is not possible at this time to determine the probability of a unfavorable outcome against the Library Board. Therefore, no provision for any potential liability was set up in the accompanying financial statements. The Library Board settled the third lawsuit for \$21,000, which will be expensed in fiscal year-to-end on December 31, 2019.

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Notes to the Financial Statements

December 31, 2018

**NOTE K – RISK MANAGEMENT**

The Library is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current year, nor have there been any settlements which have exceeded the insurance coverage maintained for the past three years.

**NOTE L – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 27, 2019, the date which the financial statements were available to be issued.

**NOTE M – RESTATEMENT OF THE BEGINNING OF YEAR NET POSITION –  
CHANGE IN ACCOUNTING PRINCIPLE**

In June 2015, the Governmental Accounting Standards Board (GASB) approved Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. GASB Statement No. 75, which replaces GASB 45, will improve accounting and financial reporting by state and local governments and was implemented by the Library during the year ended December 31, 2018. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

The statement resulted in a restatement of the December 31, 2017, beginning net position of governmental activities on the Statement of Activities found on page 11 of this report as follows:

Net Position, December 31, 2017, as previously reported	\$15,956,737
Change in accounting principle:	
Net effect of implementing GASB No. 75 (OPEB)	<u>(884,726)</u>
Net Position, December 31, 2017, as restated	<u>\$15,072,011</u>

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Budgetary Comparison Schedule  
 Statement of Receipts, Disbursements and Changes in  
 Cash Balance – Budget (Cash Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b><u>RECEIPTS</u></b>				
Ad valorem taxes	\$4,100,000	\$4,000,000	\$3,949,288	\$(50,712)
State revenue sharing	89,000	89,000	88,809	(191)
Fees, fines & charges for library services	43,940	42,600	42,801	201
Interest earnings	4,206	20,010	27,872	7,862
Other revenue	<u>2,385</u>	<u>17,250</u>	<u>18,247</u>	<u>997</u>
<b>Total Receipts</b>	<b><u>4,239,531</u></b>	<b><u>4,168,860</u></b>	<b><u>4,127,017</u></b>	<b><u>(41,843)</u></b>
<b><u>DISBURSEMENTS</u></b>				
Salaries, related benefits and payroll taxes	2,265,380	2,047,500	1,908,786	138,714
Operating services	627,600	698,000	588,073	109,927
Material and supplies	116,000	147,500	132,466	15,034
Travel and other charges	26,000	16,000	8,665	7,335
Capital outlay	1,010,600	997,900	688,265	309,635
Intergovernmental	<u>180,000</u>	<u>165,000</u>	<u>164,206</u>	<u>794</u>
<b>Total Expenditures</b>	<b><u>4,225,580</u></b>	<b><u>4,071,900</u></b>	<b><u>3,490,461</u></b>	<b><u>581,439</u></b>
Net change in fund balance	<u>13,951</u>	<u>96,960</u>	<u>636,556</u>	<u>539,596</u>
Cash, beginning of year	<u>7,962,990</u>	<u>8,150,859</u>	<u>8,185,220</u>	<u>34,361</u>
Cash, end of year	<b><u>\$7,976,941</u></b>	<b><u>\$8,247,819</u></b>	<b><u>\$8,821,776</u></b>	<b><u>\$573,957</u></b>

The accompanying notes are an integral part of this statement.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Changes in Net OPEB Liability and Related Ratios  
 For the Year Ended December 31, 2018

**Total OPEB Liability**

Service cost	\$45,595
Interest	70,467
Changes of benefit terms	-
Differences between expected and actual experience	(34,047)
Changes of assumptions	(136,419)
Benefit payments	<u>(144,292)</u>
<b>Net change in total OPEB liability</b>	<b>(198,696)</b>
<b>Total OPEB liability - beginning</b>	<b><u>2,025,664</u></b>
<b>Total OPEB liability - ending</b>	<b><u>\$1,826,968</u></b>
Covered payroll	\$971,940
Net OPEB liability as a percentage of covered payroll	187.97%

Notes to this Schedule

**Benefit Changes:** There were no changes of benefit terms for the year ended December 31, 2018.

**Changes of Assumptions:** The discount rate as of December 31, 2017 was 3.44%, and it changed to 4.10% as of December 31, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Employer's Share of Net Pension Liability  
 For the Year Ended December 31, 2018

<u>Year Ended Dec 31,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	.20245%	\$55,352	\$1,102,283	5.02%	99.15%
2016	.19121%	\$503,317	\$1,026,123	49.1%	92.23%
2017	.19121%	\$356,343	\$930,736	38.3%	94.15%
2018	.19121%	\$(124,269)	\$971,940	187.9%	101.98%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Employer Contributions  
 For the Year Ended December 31, 2018

<u>Year Ended Dec. 31,</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to <u>Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer Covered Employee Payroll</u>	<u>Contributions as % of Covered Employee Payroll</u>
2015	\$159,831	\$159,831	-	\$1,102,283	14.5%
2016	\$133,396	\$133,396	-	\$1,026,123	13.0%
2017	\$116,342	\$116,342	-	\$930,736	12.5%
2018	\$114,578	\$114,578	-	\$971,940	11.8%

This schedule is intended to show information of 10 years.  
 Additional years will be displayed as they become available.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

(1) **Budgets**

The Library adopted a budget as required by Louisiana Revised Statute 39:1301-1316 for the year ending December 31, 2018.

(2) **Pension Plan**

Changes of Assumptions – Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Compensation, Benefits and  
 Other Payments to Agency Heads  
 For the Year Ended December 31, 2018

All members of the St. John the Baptist Parish Library Board are considered “agency heads” as noted in Act 706 of the 2014 Regular Louisiana Legislative Session.

The only compensation the Board Members receive is \$50 for each meeting they attend. Below are the totals for each Member for this audit period.

<u>Agency Head's Name</u>	<u>Per Diem</u>	<u>Dues</u>
Leatrice Arlie	\$ 400	\$ 45
Maria V. Coy	450	-
Brannetter G. James	300	45
Virgie Johnson	-	-
Elois Joseph	400	45
Noris J. Millet	450	45
Lisa T. Wilder	<u>400</u>	<u>45</u>
	<u>\$2,400</u>	<u>\$225</u>

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

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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*

**Board of Control**

St. John the Baptist Parish Library

A Component Unit of the St. John the Baptist Parish Council

LaPlace, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the St. John the Baptist Parish Library, a component unit of the St. John the Baptist Parish Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the St. John the Baptist Parish Library's basic financial statements and have issued my report thereon dated June 27, 2019.

**Internal Control over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan, I identified a certain deficiencies in the internal control over financial reporting that I consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a

deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan to be material weaknesses (Findings 2018-1, 2018-2, and 2018-3).

#### **Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether the St. John the Baptist Parish Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan (Finding 2018-4).

#### **St. John the Baptist Parish Library's Responses to the Findings**

The St. John the Baptist Parish Library's responses to the Findings identified in my audit are described in the accompanying Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### **Purpose of this Report**

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



Keith J. Rovira  
Certified Public Accountant  
Metairie, Louisiana

June 27, 2019

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Schedule of Current and Prior Year Audit Findings and

Management's Corrective Action Plan

For the Year Ended December 31, 2018

I have audited the accompanying basic financial statements of the St. John the Baptist Parish Library, a component unit of the St. John the Baptist Parish Council, as of and for the year ended December 31, 2018, and have issued my report thereon dated June 27, 2019. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2018, resulted in an unmodified opinion.

I. **Current** Year Audit Findings:

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Finding No. 2018-1 - Policies and Procedures Manual Needs Complete Rewrite:**

**Auditor's Finding Recommendation:**

The Library's written Policies and Procedures Manual is outdated, incomplete, and inaccurate in certain sections. The Library Board should perform a complete and extensive review and rewrite of its Policies and Procedures Manual.

Rewriting and updating the Policies and Procedures Manual will greatly help by strengthening the Library's internal accounting and administrative controls, and reduce the occurrence of misinterpretation of the rules, errors, irregularities, and misappropriation of Library assets.

Noncompliance with the Library's Policies and Procedures should require disciplinary action as determined on a case by case basis. In addition, when a question or issue arises that requires any employee or management to refer to the Policies and Procedures Manual, and there is no policy in the Manual that answers or gives guidance on the issue, then the question or issue should ultimately be brought to the Library Board for resolution.

This finding is a repeat from the Library's 2017 Audit Report.

**Management's Corrective Action Plan:**

The policies and procedures are under review and there were policies identified by the District Attorney that were already being updated and rewritten. The Policy and Procedures Manual is being reviewed and the process is being expanded into an updating and a complete overhaul of the manual from the current content and format. Following review and approval by the Library Board all employees will be trained in the new policy and procedures.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Current and Prior Year Audit Findings and  
 Management's Corrective Action Plan (Continued)  
 For the Year Ended December 31, 2018

**Finding No. 2018-2 - Inadequate Segregation of Accounting and Administrative  
 Duties and Functions and Weaknesses in Accounting and  
 Administrative Internal Controls:**

**Auditor's Findings and Recommendation:**

**1. Inadequate Segregation of Accounting and Administrative Duties and  
 Functions**

The Library does not have an adequate segregation of duties and functions, which causes significant weaknesses within its office's accounting and administrative internal control system.

Management is responsible for establishing and maintaining effective internal controls including internal controls over compliance, and for evaluating and monitoring its ongoing activities to help ensure that appropriate goals and objectives are met, and to provide the public with reasonable assurances that the Library's programs and activities are being administered in compliance with state, local, and federal laws and regulations.

During 2018, it was discovered that there was possible significant misappropriation of funds and assets of the library, including the destruction, falsification, and theft of public records, concerning the job duties and functions of the former Business Manager's position. A few of the duties of the Business Manager included drafting checks, maintain control over the electronic signature stamps for signing the Library's checks, depositing daily collections, accounting for cash collections, preparing the biweekly payroll, and maintaining all transactions of the individual employees' vacation and medical/sick leave records.

The Business Manager's position should be spread out among several employees in order to achieve a strong level of internal controls to help deter and prevent errors, irregularities, and possible misappropriation of Library assets in the future. One person should not be allowed to have that much control over the operations of any position in the library. Checks and balances and internal controls should be put in place at "all" key positions in the Library's daily operations. This includes, but is not limited to, the areas of administration, accounting, payroll, and information technology.

This finding has been listed in the Library's Audit Report for many prior years.

**Management's Corrective Action Plan:**

The money counting and review procedures can be adjusted and distributed across several administrative employees so that no single person does all parts of the process of counting, recording and depositing the cash receipts. In my previous

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Schedule of Current and Prior Year Audit Findings and  
Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2018

tenure as Library Director, which ended at my retirement in June, 2014, the incoming mail with invoices and statements was received by the Library Director who opened and reviewed them and then saw them again to approve them for payment after being stamped by the business manager. This process was not carried forward. The business manager was receiving and opening the "bills". I have reinstated the process where all mail comes to the director who opens and reviews the statements. These can be questioned at that point if things look out of order. Also, the Library Director must approve all requests for purchases and spending. Spending approval now comes through the Library Director.

**2. Bank Reconciliations**

I obtained bank statements and bank reconciliations for all twelve months in the fiscal year, and management's representation that the listing is complete. Bank reconciliations prepared by an outside CPA that I examined did not show evidence that they were reviewed by a member of management. No one initialed or dated the bank reconciliations to document any review process was performed by a member of management or employee. An employee of the office, or a Board Member, who does not handle cash, post ledgers, or issue checks should initial and date that they have reviewed every monthly bank reconciliation after the outside independent CPA prepares it.

**Management's Corrective Action Plan:**

In my previous tenure as Library Director, which ended at my retirement in June, 2014, the monthly reports and reconciliations were reviewed by the Library Director but not initialed or signed off on in a formal way. As each report is received and reviewed it will be initialed and dated by the Library Director.

**3. Collections**

At all four Library branch collection locations, cash is received from the public and held in a cash drawer which is shared by multiple employees. A "Daily Transactions Sheet" is maintained at each location by each employee that handles cash transactions with patrons. The totals on these Daily Transaction Sheets should be reconciled to the deposit amount made at the bank and then to the monthly bank statement. Someone separate from all cash collection duties should perform this reconciliation and initial and date that the reconciled deposits agree to what was actually deposited into the bank. All employees who collect and handle cash are covered by a blanket fidelity bond.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
 LaPlace, Louisiana  
 Schedule of Current and Prior Year Audit Findings and  
 Management's Corrective Action Plan (Continued)  
 For the Year Ended December 31, 2018

**Management's Corrective Action Plan:**

A process will be established to accomplish and verify the deposits. In the library branches with a small staff, one person can count and the other check or watch as the counting is done. There is not sufficient staff to do more.

**4. Ad Valorem Taxes and State Revenue Sharing Paper-Stock Checks**

Currently, the St. John the Baptist Parish Sheriff's physically mails the Library regular paper-stock checks for its portion of ad valorem tax revenue and state revenue sharing collected by the Sheriff's office. These checks are very significant in monetary value, especially during the first several months of the calendar year. The Library should ask the St. John the Baptist Parish Sheriff's office if it could electronically wire-transfer all payments directly to the Library's main operating bank account. This would strengthen the internal accounting controls of the Library.

**Management's Corrective Action Plan:**

The office of the Sheriff will be contacted to enquire about the possibility of electronic transfer of funds.

**5. Adding Vendors**

Written policies and procedures do not prohibit the person responsible for processing payments to vendors from adding new vendors to the computerized accounting system. The Business Manager has access to adding and modifying vendor files. No other employee reviews any changes to the vendor files. This policy should be revised to prohibit the person responsible for processing payments from adding vendors to its computerized accounting system.

**Management's Corrective Action Plan:**

The Library's outside CPA can be part of this process either to add vendors or to review all additions.

**6. Credit Cards and Missing Records**

During 2018, the Library had 7 credit cards as follows: Capital One, Walmart, Sam's, Office Depot, Home Depot, Shell, and Barnes and Nobel. There were no 2018 Capital One credit card statements available in the files, or any supporting documentation to support the transactions and check payments made to credit card companies. In 2018, it was discovered that there was possible significant misappropriation of funds and assets of the Library, including destruction, falsification, and theft of public records. The number of and use of credit cards should be limited. In addition, the Library should require everyone that is authorized to use a credit card to read and sign, annually, an "Employee Credit Card Agreement" form.

**ST. JOHN THE BAPTIST PARISH LIBRARY**

LaPlace, Louisiana

Schedule of Current and Prior Year Audit Findings and

Management's Corrective Action Plan (Continued)

For the Year Ended December 31, 2018

I gave the new Library Director a sample copy of this form that could be customized to fit into the Library's credit card usage policy.

**Management's Corrective Action Plan:**

A Credit Card Agreement form has been implemented and all employees using the cards have signed it. A process for signing out the card will be developed and instituted.

**7. Documentation of Employees' Annual Salary and Pay Rate**

There was no documentation in employees' files showing that the Library Board had either approved or authorized employees' salary or hourly pay rate amounts. In prior years, an "Employee Payroll List" was prepared by the Library Director, which would show the employees' annual salaries and hourly pay rates of every employee of the Library. This list would be prepared and used in conjunction with the annual budgetary process. Also, this list would be voted on and approved with the proposed operating budget for the ensuing year at an open meeting of the Library Board of Control. There was no list to be found for 2018. In the future, an "Employee Payroll List" should be prepared at least annually, and amended during the year every time an employee's compensation situation changes or it is warranted. The Library Board should approve all amendments to any employee's compensation and pay rate. A "Pay Scale" showing the Pay Grade Steps and the corresponding salary amounts for the different employee positions was completed and updated for 2018.

**Management's Corrective Action Plan:**

The director is compiling a list of employees with payroll rate and job and step information. This information will be documented and (when selected) the incoming director will be familiarized with it.

**8. Documentation and Records of Employees' Vacation and Medical/Sick Leave**

From the time the former Business Manager resigned on August 17, 2018, until May, 2019, no records for the accrual or usage of vacation and medical/sick leave were maintained in the Quickbooks computer payroll program for Library employees. The Assistant Library Director was in charge of the payroll at that time. These missing records need to be reconstructed as accurately as possible, and all employees should sign and date their agreement to the recalculated leave balances.

**Management's Corrective Action Plan:**

The leave balances have been gathered from the previous accounting system (QuickBooks) and from ADP (Automated Data Processing, Inc.) third party

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Schedule of Current and Prior Year Audit Findings and  
Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2018

payroll processing service and have been verified with each employee so that the status and amount of the leave of each employee is current.

9. **Late Filing Penalty for the 2018 - 4th Quarter Louisiana Withholding Report**

The Louisiana State Withholding report for the 4th quarter of 2018 was filed late. The Louisiana Department of Revenue (LDR) assessed a Delinquent Filing penalty on the Library totaling \$2,176.25 plus \$42.85 in interest as of May 1, 2019.

The Library should complete Louisiana State form R-20128, *Request for Waiver of Penalty for Delinquency*, to request an abatement of the penalty from the LDR. The form can be found on the LDR's website.

**Management's Corrective Action Plan:**

This will be done.

10. **Missing and Unorganized Records**

The accounting and payroll files and records in the Business Manager's office were in disarray and disorganized after the Business Manager resigned on August 17, 2018. It was discovered that there was significant misappropriation of funds and assets of the Library, including destruction, falsification, and theft of public records.

The results of my testing were limited due to the extensive destruction, falsification, and missing Library records needed as evidence to corroborate my findings.

**Management's Corrective Action Plan:**

The current interim Business Manager has made considerable headway in reestablishing some order to the files and records.

11. **Accounts/Vendor Payables and Payroll Deductions and Payroll-Related Payables**

When a replacement Business Manager was hired under contract and started working in late February 2019, it was discovered that numerous vendor invoices and payroll deduction amounts from 2018 had not been processed, approved, and paid timely. This created an accounts payable amount at December 31, 2018, of \$345,652. This included past monthly health insurance premiums due, employees' retirement plan contributions payable, payroll tax deductions payable, and regular accounts/vendor invoices payable.

**ST. JOHN THE BAPTIST PARISH LIBRARY**  
LaPlace, Louisiana  
Schedule of Current and Prior Year Audit Findings and  
Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2018

**Management's Corrective Action Plan:**  
Accounts payable are now current and not in arrears.

**Finding No. 2018-3 - Minutes of the Meeting of the Library's Board of Control:**

**Auditor's Finding and Recommendation:**

The year 2018 hardcover-bound minute book was unorganized, out of order, incomplete, in many areas, and difficult to follow. Written documentation of the minutes of important Library Board discussions, actions, motions, resolutions, etc., was in some areas either weak, nonexistent, or lacked important substance during a significant part of 2018. Many times this made it unclear or impossible to understand Board Members' discussions, actions, motions, resolutions, etc.

For example, at the April 9, 2018, Library Board of Control meeting, agenda item XVI, "Adoption of the Pay Scale for 2018" states in those minutes that a motion was made and the Board voted to adopt the 2% Cost of Living increase for 2018. Any potential cost of living increase or merit raise or change in an employee's salary should be effective "prospectively" and "not retroactively."

Better documentation of Library Board meetings should be made. Video recording each meeting and making it available as a public record on the Library's website would be an excellent way to accomplish transparency and full disclosure of all Library Board meetings.

**Management's Corrective Action Plan:**

A secondary copy of the "Minutes of the Meeting of the Board of Control, 2018" will be created leaving out extraneous material and putting the meetings in order by date of occurrence. Different recording methods will be examined to save the record of the meeting and meet the requirements of the law.

**COMPLIANCE**

**Finding No. 2018-4 – Misappropriation of Public Funds and Assets of the Library:**

During 2018 and into 2019, it was discovered that there was possible significant misappropriation of public funds and assets of the Library by its Business Manager and Assistant Library Director. In 2018, the Library Board hired an accounting firm to perform a *Forensic Examination* for the purpose of quantifying the potential financial loss due to possible unauthorized activity by its Business Manager, who had resigned on August 17, 2018, and was subsequently arrested on November 21, 2018, and charged with malfeasance in office, filing or maintaining false public records, bank fraud and

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theft. The Business Manager was arrested a second time on April 5, 2019, and charged with principal to computer fraud, money laundering, and transaction involving proceeds of criminal act. The period covered by the Forensic Examination was October 1, 2016 through September 30, 2018. This Examination identified \$58,876 in Library funds that may have been misappropriated by the former Business Manager, which comprised \$19,755 of fictitious invoices and \$39,121 of potential unauthorized credit card charges.

Subsequently in 2019, the Library Board hired the same accounting firm to investigate possible unauthorized additional compensation payments received by the Assistant Library Director. The period covered by this *Payroll Investigation Report* was January 8, 2018 through April 30, 2019. This Report concluded that "the Assistant Library Director received in total \$4,412.60 in unauthorized compensation for the period January 8, 2018 to April 30, 2019."

Copies of the *Forensic Examination* and *Payroll Investigation Report* can be obtained by contacting the Library Director of the St. John the Baptist Parish Library, 2920 Highway 51, LaPlace, Louisiana, 70068, telephone, 985-652-6857.

In addition, the results of my testing the Statewide Agreed-Upon Procedures examination listed in this report are limited due to the extensive destruction, falsification and theft of Library records and missing files needed as evidence to corroborate my findings.

**Management's Corrective Action Plan:**

The whole process of payment and management of money (cash and disbursements) is being examined and reevaluated. Steps that could be immediately taken are already in place to correct many of the points that made it possible for the actions cited above to occur. More will be done to attempt to create the work process and procedures where this cannot reoccur.

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II. **Prior** Year Audit Findings:

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Finding No. 2017-1 - Policies and Procedures Manual:**

**Auditor's Finding and Recommendations:**

The Library needs to perform a complete overhaul of its Policies and Procedures Manual. It is outdated in some areas and not explanatory enough in others. This will help strengthen the Library's internal accounting controls, and reduce the possibility of misinterpretation of the rules. The Policies and Procedures Manual should cover all of the Library's financial, personnel, and administrative areas.

When a question or issue arises that requires any employee to refer to the Manual, and there is no policy in the Manual that answers or gives guidance on the issue, then the question/issue should be brought to Library Board of Control for resolution.

Noncompliance with the Library's Policies and Procedures should require disciplinary action as determined on a case by case basis.

**Management's Corrective Action Plan:**

WHEREAS, the Library Policies and Procedures are out dated in some areas and not explanatory in others. Some amendments have been made over the years, but there is still more the need to be corrected in the Administrative, Personnel, and Financial areas.

NOW, THEREFORE BE IT RESOLVED, that a five member Policies and Procedures Committee have been appointed and will present their draft to the Board for adoption at its next regular Board meeting. Noncompliance with the Policies and Procedures will require disciplinary actions, and employees will not be disciplined for matters that are not in the Policies and Procedures Manual.

NOW, I Virgie Jarrow-Johnson, President in agreement with Brannetter G. James, Treasure for St. John the Baptist Parish Library Board of Control, hereby attest to the best of our knowledge the answers to be accurate and truthful.

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**Finding No. 2017-2 - Inadequate Segregation of Accounting Functions:**

Due to the small number of employees in accounting department, the Library did not have adequate segregation of duties and functions with the accounting system.

**Management's Corrective Action Plan:**

The Library has determined that it is not cost effective to achieve complete segregation of duties and functions within the accounting department. No plan is considered necessary at this time.

**Finding No. 2017-3 - Two Retirement Parties and Gifts  
 (Potential Violations of Article 7, Section 14(A) of the Louisiana Constitution  
 of 1974):**

(1) On Friday, September 1, 2017, the Library hosted a retirement party for an employee who had 30 years of service with the library. The Library spent \$1,569 on food and a retirement cake for the party. Also, the Library purchased a retirement gift for the employee totaling \$109 for the employee. No reimbursements were received to defray the monies spent.

Furthermore, the Reserve, West and Garyville branches were closed at 12:30 p.m. on that day so those employees could attend the party. Employees were notified that if they decided not to attend the party, they would have to use their leave time. The Central Library branch remained open for its regular hours.

(2) On Tuesday, September 26, 2017, there was a second retirement party for an employee who also had 30 years of service with the library. The Library spent \$685 on food, a retirement cake and small miscellaneous items for the party. Neither Central Library, nor any of the three branches were closed on that day for the party.

Article 7, Section 14(A) of the Louisiana Constitution of 1974, states that "... the funds, credit, property, or thing of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

**Auditor's Recommendations:**

The Library's management should question, and seek answers from their legal counsel, for any and all expenditure transactions that are questionable as to the use of public funds.

Also, all members of management should be aware of and use the Louisiana Attorney General's 3-point test for help in determining whether the use of a public entity's funds

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is permissible under Article 7, Section 14(A) of the Louisiana Constitution of 1974. The public entity must have the legal authority to make the expenditure and must show:

- i. a public purpose for the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue;
- ii. that the expenditure or transfer, taken as a whole, does not appear to be gratuitous;
- iii. that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds.

**Management's Corrective Action Plan:**

WHEREAS, on Friday, September 1, 2017, an employee with 29 years of services retired, who also served as the Assistant Director for a short time. As in the past, following previous precedence when long time employees retired the Library presented farewell programs complete with speakers, refreshments and invitations extended to the public. The Friends of the Library also make monetary contributions, in which \$150 was given towards items for the program.

WHEREAS, on September 1, 2017, the West and Garyville Branches closed 12:30-5:30p.m., the afternoon hours in order to facilitate the size of the program by reporting to the Reserve Branch, which was opened to the public as well as the LaPlace Branch for services. All employees were informed if they did not report to their designated assignment for the day, they would have to use their leave time, as by law you can only get paid for the hours you work.

WHEREAS, on September 26, 2017, a second employee retired after 30 years of service. The same type program was extended, which was held at a later time. The Reserve, Edgard and Garyville Branches were closed because it exceeded the operational hours.

NO THEREFORE, BE IT RESOLVED, that the Library will no longer depend on donations from Friends of the Library for these type Adult Programs. Members of the Library's Administration and Staff will provide their personal donations to a kitty for this type program, or pot luck the programs by providing the refreshments.

**Management Letter:**

No management letter was issued for the year ended December 31, 2018.

# **ST. JOHN THE BAPTIST PARISH LIBRARY**

## ***Statewide Agreed-Upon Procedures Report***

As of and for the Year Ended

December 31, 2018

**KEITH J. ROVIRA**  
*Certified Public Accountant*

**KEITH J. ROVIRA**  
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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Board of Control  
St. John the Baptist Parish Library  
LaPlace, Louisiana

I have performed the procedures enumerated below, which were agreed to by the Management of the St. John the Baptist Parish Library (Library) and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUP) for the fiscal year ended December 31, 2018. The System's Management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

***During 2018 and into 2019, it was discovered that there was possible significant misappropriation of public funds and assets of the Library by its Business Manager and Assistant Library Director. In 2018, the Library Board hired an accounting firm to perform a Forensic Examination for the purpose of quantifying the potential financial loss due to possible unauthorized activity by its Business Manager, who had resigned on August 17, 2018, and was subsequently arrested on November 21, 2018, and charged with malfeasance in office, filing or maintaining false public records, bank fraud and theft. The Business Manager was arrested a second time on April 5, 2019, and charged with principal to computer fraud, money laundering, and transaction involving proceeds of criminal act. The period covered by the Forensic Examination was October 1, 2016 through September 30, 2018. This Examination identified \$58,876 in Library funds that may have been misappropriated by the former Business Manager, which comprised \$19,755 of fictitious invoices and \$39,121 of potential unauthorized credit card charges.***

***Subsequently in 2019, the Library Board hired the same accounting firm to investigate possible unauthorized additional compensation payments received by the Assistant Library Director. The period covered by this Payroll Investigation Report was January 8, 2018 through April 30, 2019. This Report concluded that “the Assistant Library Director received in total \$4,412.60 in unauthorized compensation for the period January 8, 2018 to April 30, 2019.”***

***Copies of the Forensic Examination and Payroll Investigation Report can be obtained by contacting the Library Director of the St. John the Baptist Parish Library, 2920 Highway 51, LaPlace, Louisiana, 70068, telephone, 985-652-6857.***

***In addition, the results of my testing the Statewide Agreed-Upon Procedures examination listed in this report are limited due to the extensive destruction, falsification and theft of Library records and missing files needed as evidence to corroborate my findings.***

***Management’s responses to the exceptions and findings in this Statewide Agreed-Upon Procedures Report can be found below on pages 15 and 16 of this report.***

The procedures and associated findings of this Statewide Agreed-Upon Procedures examination are as follows:

#### ***Written Policies and Procedures***

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1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include Management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements,

- (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*(The Library does not issue any debt; therefore, this procedure is not applicable.)*

*I received the Library's written Policies and Procedures Manual pertaining to the above categories, and it does not adequately address all the functions noted above. It is outdated, incomplete, and inaccurate in many sections. The Library Board should perform a complete and extensive review and rewrite of its Policies and Procedures Manual.*

*The Library does not have an adequate segregation of duties and functions, which causes material and significant weaknesses within its office's accounting and administrative internal control system. In this regard, Management is responsible for establishing and maintaining effective internal controls including internal controls over compliance, and for evaluating and monitoring its ongoing activities to help ensure that appropriate goals and objectives are met, and to provide the public reasonable assurances that the library's programs and activities are being administered in compliance with state, local, and federal laws and regulations.*

*Rewriting and updating the Policies and Procedures Manual will greatly help by strengthening the Library's internal accounting and administrative controls, and Reduce the occurrence of misinterpretation of the rules, errors, irregularities, and misappropriation of library assets.*

*Noncompliance with the Library's Policies and Procedures should require disciplinary action as determined on a case by case basis. In addition, when a question or issue arises that warrants any employee or Management to refer to the Policies and Procedures Manual, and there is no policy in the Manual that answers or gives guidance on the issue, then the question or issue should be brought to the Library Board for resolution.*

## ***Board of Control***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exceptions noted.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

*The year 2018 hardcover-bound minute book was unorganized, out of order, incomplete in many areas, and difficult to follow and understand. Written documentation of the minutes of important Library Board discussions, actions, motions, resolutions, etc., was in some areas either weak, nonexistent, or lacked important substance during a large part of 2018. Many times this made it unclear or impossible to understand Board Members' discussions, actions, motions, resolutions, etc.*

*For example, at the April 9, 2018, Library Board of Control meeting, agenda item XVI, "Adoption of the Pay Scale for 2018" states in those minutes that a motion was made and the Board voted to adopt the 2% Cost of Living increase for 2018. Any potential cost of living increase or merit raise or change in an employee's salary should be effective "prospectively" and "not retroactively."*

*Better documentation of Library Board meetings should be made. Video recording each meeting and making it available as a public record on the Library's website would be an excellent way to accomplish transparency and full disclosure of all Library Board meetings.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*No exceptions noted.*

## ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from Management and Management's representation that the listing is complete. Ask Management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*Obtained bank statements and bank reconciliations for all twelve months in the fiscal year, and Management's representation that the listing is complete.*

*None of the bank reconciliations that were prepared by an outside CPA and that I examined showed any evidence that they were reviewed by a member of Management within 2 months of the related bank statement closing date. No one initialed or dated the bank reconciliations to document any review process was done by a member of Management.*

- b) Bank reconciliations include evidence that a member of Management /Board Member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged);

*Bank reconciliations were not reviewed, initialed or dated by a member of Management or a board member. An employee of the office, or a board member, who does not handle cash, post ledgers, or issue checks should initial and date that they have reviewed every monthly bank reconciliation after the outside independent CPA prepares it to confirm that they were prepared within 2 months of the related bank statement closing date.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No documentation was available.*

## **Collections**

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4. Obtain a listing of deposit sites<sup>1</sup> for the fiscal period where deposits for cash/checks/money orders (hereinafter referred to as, "cash") are prepared and Management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*There is only one "deposit site" and it is in the Business Manager's office located at the Central Library branch in Laplace. Management has made a representation that the listing is complete.*

5. For each deposit site selected, obtain a listing of collection locations<sup>2</sup> and Management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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<sup>1</sup> A deposit site is a physical location where a deposit is prepared and reconciled.

<sup>2</sup> A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

*There are four "collection" locations. These locations are the four branches of the Library: Central in Laplace, Reserve, Garyville, and Edgard. Management has made a representation to that fact.*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*At all four Library branch collection locations, the cash drawer is shared by multiple employees. A "Daily Transactions Sheet" is maintained at each location by each employee that handles cash transactions with patrons.*

*However, totals on these Daily Transaction Sheets are not reconciled to the deposit made at the bank and on the bank statement. Someone separate from all cash collection duties should perform this reconciliation and initial and date that the reconciled deposits agree to what was actually deposited into the bank.*

*All employees who collect and handle cash are covered by a blanket fidelity bond. The Library should check with its insurance carrier to see if the current amount of fidelity bond coverage is adequate.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*No exceptions noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*No exceptions noted.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*No exceptions noted.*

6. Inquire of Management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*All office personnel are covered by a blanket fidelity bond. All employees who collect and handle cash are covered by a blanket fidelity bond. The Library should check with its insurance carrier to see if the current amount of fidelity bond coverage is adequate.*

7. Randomly selected two deposit dates for the one bank account selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 2 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions were noted.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions were noted.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.  
*No exceptions were noted.*
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).  
*No exceptions were noted.*
- e) Trace the actual deposit per the bank statement to the general ledger.  
*No exceptions were noted.*

➤ ***Recommendation:*** *Currently, the St. John the Baptist Parish Sheriff's physically mails the Library checks for the Library's portion of ad valorem tax revenue and state revenue sharing. These checks are very significant in monetary value, especially during the first several months of the calendar year. The Library should ask the St. John the Baptist Parish Sheriff's office if it could electronically wire-transfer all payments directly to the Library's main operating bank account. This would strengthen the internal accounting controls of the Library.*

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and Management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).  
*There is only one location that processes payments and it is in the Business Manager's office located at the Central Library branch in Laplace. Management has made a representation that the list is complete.*
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*There were no segregation of duties and functions within the Library's accounting office. During the year, the Business Manager had the responsibility of purchasing, recording purchases, receiving items purchased, recording the purchases in the accounting records, and processing the payments of vendor invoices and bills.*

*As noted on page 1 of this SAUP report, it was discovered that there was possible significant misappropriation of funds and assets of the Library, including the destruction, falsification, and theft of public records.*

*The job duties and functions of the Business Manager's position should be spread out among several employees in order to achieve a strong level of internal controls to help deter and prevent errors, irregularities, and possible misappropriation of Library assets in the future. One person should not be allowed to have that much control over the operations of any position in the Library. Checks and balances and internal controls should be put in place at "all" key positions in the Library's daily operations. This includes, but is not limited to, the areas of administration, accounting, payroll and information technology.*

- b) At least 2 employees are involved in processing and approving payments to vendors.

*The Library Director is responsible for approving all invoices for payment, and the Business Manager is responsible for processing the payments.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*Written policies and procedures were obtained; however, the policy does not prohibit the person responsible for processing payments from adding vendors to the computerized accounting system. In fact, the Business Manager has access to adding and modifying vendor files. No other employee reviews any changes to the vendor files.*

*This policy should be revised to prohibit the person responsible for processing payments from adding vendors to its computerized accounting system.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*The Business Manager mailed the payments and was responsible for processing payments.*

10. For the location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain Management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*I obtained the Library's non-payroll disbursement transaction population, (excluding cards and travel reimbursements) and obtained Management's representation that the population was complete. I selected 5 disbursements from the Central Library branch disbursements.*

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*There were no segregation of duties and functions within the Library's accounting office. During the year, the Business Manager had the responsibility of purchasing, recording purchases, receiving items purchased, recording the purchases in the accounting records, and processing the payments of vendor invoices and bills.*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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11. Obtain from Management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain Management's representation that the listing is complete.

*During 2018, the Library had 7 credit cards as follows: Capital One, Walmart, Sam's, Office Depot, Home Depot, Shell, and Barnes and Nobel. Management has made a representation that the list is complete.*

*Missing Records: There were no 2018 credit card statements available in the files, or any supporting documentation to support the check payments made to the credit card companies.*

*As noted on page 1 of this SAUP report, it was discovered that there was possible significant misappropriation of funds and assets of the Library, including destruction, falsification, and theft of public records.*

*In addition, the Library should require everyone that is authorized to use a credit card to read and sign, annually, an "Employee Credit Card Agreement" form.*

*I gave the new Library Director a sample copy of this form that could be customized to fit into the Library's credit card usage policy.*

12. Using the listing prepared by Management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*Missing Records: There were no 2018 credit card statements available in the files, or any supporting documentation to support the check payments made to the credit card companies.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.  
*Missing Records: There were no 2018 credit card statements available in the files, or any supporting documentation to support the check payments made to the credit card companies.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*Missing Records: There were no 2018 credit card statements available in the files, or any supporting documentation to support the check payments made to the credit card companies.*

### **Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

14. Obtain from Management a listing of all travel and travel-related expense reimbursements during the fiscal period and Management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*Travel and Travel-Related Expense Reimbursement procedures were not tested for the year ended December 31, 2018 (SAUP Year 2) due to the fact that there were no exceptions noted in the prior year ended December 31, 2017 (SAUP Year 1).*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

### **Contracts**

15. Obtain from Management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *(Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.)* Obtain Management's representation that the listing is complete. Selected the only 2 contracts from the listing, excluding the practitioner's contract, and:

*Contracts procedures were not tested for the year ended December 31, 2018 (SAUP Year 2) due to the fact that there were no exceptions noted in the prior year ended December 31, 2017 (SAUP Year 1).*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the Library's Board of Control, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 2 contracts selected, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

### ***Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and Management's representation that the listing is complete. Selected 3 employees of the System, obtained related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Obtained a listing of all employees/elected officials employed during the fiscal period, and Management has made a representation that the list is complete.*

*There was no documentation in either of the 3 employees' personnel files showing their individual annual salary, biweekly salary, hourly pay rate amounts, or an agreement to those amounts.*

*There was no documentation in the personnel files showing that the Library Board had either approved or authorized employees' salary or hourly pay rate amounts. An expanded check into the personnel files of several other employees resulted in the same conclusions.*

*In prior years, an "Employee Payroll List" was prepared by the Library Director, which would show the individual salaries or hourly pay rates of every employee of the Library. This list would be prepared in conjunction with the budgetary process annually, and was voted on and approved with the proposed operating budget for the ensuing year at an open meeting of the Library Board of Control. There was no list to be found for 2018.*

*In the future, an "Employee Payroll List" should be prepared at least annually, and amended during the year every time an individual's compensation situation changes or it is warranted.*

*The Board should approve all amendments to any employee's compensation.*

*A "Pay Scale" showing the Pay Grade Steps and the corresponding salary amounts for the different employee positions was completed and updated for 2018.*

17. Randomly select one pay period during the fiscal period. For the 3 employees selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*From the time the Business Manager resigned on August 17, 2018, until May, 2019, no records for the accrual or usage of vacation and medical/sick leave were maintained in the Quickbooks computer payroll program for Library employees. The Assistant Library Director was in charge of the payroll at that time.*

*Therefore, those missing records needed to be reconstructed as accurately as possible. The IT Assistant has been compiling these records, and will integrate them into the new payroll system when he has completed that record.*

*As stated on page 1 of this SAUP report, the Library Board hired an accounting firm to investigate possible unauthorized additional compensation payments received by the Assistant Library Director. The period covered by this Payroll Investigation Report was January 8, 2018 through April 30, 2019.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) *See 17.a. above.*
- d) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*See 17.a. above.*

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and Management's representation that the list is complete. Randomly select 2 employees/officials, obtain related documentation of the hours and pay rates used in Management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*No employees were terminated during the fiscal year; therefore, no termination payments were made. Management has made a representation to that fact.*

- 19. Obtain Management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and the associated forms have been filed, by required deadlines.

*I obtained Management's representation that the payroll-related items listed in this procedure were complied with and eventually completed and paid in full. The Louisiana State Withholding report for the 4th quarter of 2018 was filed late. The Louisiana Department of Revenue (LDR) assessed a Delinquent Filing penalty on the Library totaling \$2,176.25 plus \$42.85 in interest as of May 1, 2019.*

*The Library should complete Louisiana State form R-20128, "Request for Waiver of Penalty for Delinquency," to request an abatement of the penalty from the LDR. The form can be found on the LDR's website.*

*The accounting and payroll files and records in the Business Manager's office were in disarray and disorganized after the Business Manager resigned on August 17, 2018. As noted on page 1 of this SAUP report, it was discovered that there was significant misappropriation of funds and assets of the Library, including destruction, falsification, and theft of public records.*

*It was discovered that numerous vendor invoices, employees' retirement plan contributions, monthly health insurance premiums and payroll tax deductions payable amounts from 2018 had not been processed, approved, and paid timely. This created an amount due by the Library at December 31, 2018, of \$345,652.*

*In addition, the results of my testing the Statewide Agreed-Upon Procedures listed in this report are limited due to the extensive destruction, falsification and theft of Library records and missing files needed as evidence to corroborate my findings.*

### ***Ethics***

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20. Using the 3 randomly selected employees from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from Management, and:

a. Observe that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period.

*No exceptions noted.*

b. Observe that the documentation demonstrates each employee attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

*No exceptions noted.*

### ***Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and Management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and Management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Debt Service procedures were not tested for the year ended December 31, 2018 (SAUP Year 2) due to the fact that there were no exceptions noted in the prior year ended December 31, 2017 (SAUP Year 1).*

*The Library did not, and does not, issue any debt; therefore, this procedure is not applicable.*

### ***Other***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and Management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*As noted on page 1 of this SAUP report, it was discovered that there was possible significant misappropriation of funds and assets of the Library, including destruction, falsification, and theft of public records.*

Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

I was not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on Management's assertions and representations. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that I would have been reported to you.

This report is intended solely for the use of Management and the Louisiana Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Accordingly, this report is not suitable for any other use. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Keith J. Rovira". The signature is written in a cursive style with a large, prominent initial "K".

Keith J. Rovira  
Certified Public Accountant  
Metairie, Louisiana

June 27, 2019

**Management's Response to the Statewide Agreed-Upon Procedures Report**  
(In Category and Number Order)

**Written Policies and Procedures:**

The policies and procedures are under review and there were policies identified by the District Attorney that were already being updated and rewritten. The Policy and Procedures Manual is being reviewed and the process is being expanded into an updating and a complete overhaul of the manual from the current content and format. Following review and approval by the Library Board all employees will be trained in the new policy and procedures.

**Board of Control:**

2.b. A secondary copy of the "Minutes of the Meeting of the Board of Control, 2018" will be created leaving out extraneous material and putting the meetings in order by date of occurrence. Different recording methods will be examined to save the record of the meeting and meet the requirements of the law.

**Bank Reconciliations:**

3.a. In my previous tenure as Library Director, which ended at my retirement in June, 2014, the monthly reports and reconciliations were reviewed by the Library Director but not initialed or signed off on in a formal way.

3.b. As each report is received and reviewed it will be initialed and dated by the Library Director.

3.c. A procedure will be determined to correct the problem of missing documentation in reconciliations.

**Collections:**

5.a. In the library branches with small staff one person can count and the other check or watch as the counting is done. There are not sufficient staff to do more.

5.b. The money counting and review procedures can be adjusted and distributed across several administrative employees so that no single person does all parts of the process of counting, recording and depositing the cash receipts

**Recommendation:**

The office of the Sheriff will be contacted to enquire about the possibility of electronic transfer of funds.

**Non-Payroll Disbursements:**

9.a. The money counting and review procedures can be adjusted and distributed across several administrative employees so that no single person does all parts of the process of counting, recording and depositing the cash receipts. In my previous tenure as Library Director, which ended at my retirement in June, 2014, the incoming mail with invoices and statements were received by the Library Director who opened and reviewed them and then saw them again to approve them for payment after being stamped by the business manager. This process was not carried forward. The business manager was receiving and opening the "bills". I have reinstated the process where all mail comes to the Library Director who opens and reviews the statements. These can be questioned at that point if things look out of order. Also, the Library Director must approve all requests for purchases and spending. Spending approval now comes through the Library Director for approval.

9.c. The out-side CPA can be part of this process either to add vendors or to review all additions.

10.b. See 9.a. above

**Credit Cards/Debit Cards/Fuel Cards/P-Cards:**

11. A Credit Card Agreement form has been implemented and all employees using cards have signed it. A process for signing out the cards when needed will be developed and instituted.

12. a. An effort was made to locate duplicates from Capital One and some were provided. Others were sent by the CRI accounting firm who had the documents in their investigation of the previous Business Manager.

12.b. See 12.a. above

13. These items are missing with no possibility of recreating or finding them.

**Payroll and Personnel:**

16. The Library Director is compiling a list of employees with payroll rate and job and step information. This information will be documented and (when selected) the incoming Library Director will be familiarized with it. Procedures will be enumerated for preparation of lists and presentation to the Board.

17. The leave balances have been gathered from the previous accounting system (QuickBooks) and from ADP (Automated Data Processing, Inc.) a third-party payroll processing service and have been verified with each employee so that the status and amount of the leave of each employee is current. The employee signed off on the balance.

19. Employee payroll taxes and retirement system payments have been paid and are current. The Library will seek an abatement of the \$2,176.25 late fee plus interest of \$42.85.