

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

*Financial Statements*  
*For the Year Ended December 31, 2018*

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Control  
Morehouse Parish Library  
Bastrop, LA

***Report on the Financial Statements***

I have audited the accompanying financial statements of the governmental activities of Morehouse Parish Library, a component unit of the Morehouse Parish Police Jury, 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 audits contained in *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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Control  
Morehouse Parish Library  
Bastrop, Louisiana

### ***Opinions***

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

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6; the budgetary comparison information on pages 27-28; the schedule of proportionate share of the net pension liability and schedule of contributions related to the Parochial Retirement System on pages 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the 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 assurances.

### ***Other Information***

The Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Control is the responsibility of management and were derived from and relate 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 Schedule of Compensation, Benefits and Other Payments to Agency Head and Board of Control is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13, 2019, on my consideration of the Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 *Governmental Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

West Monroe, Louisiana  
June 13, 2019

*David M. Hartl, CPA (APAC)*

REQUIRED SUPPLEMENTAL INFORMATION (PART A)

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended December 31, 2018

As management of Morehouse Parish Library (the "Library") (a component unit of Morehouse Parish), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2018. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Library's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Library's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Library based on information presented in the financial report and fiscal policies that have been adopted by the Library. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Library's financial activity, identify changes in the Library's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Library also includes in this report additional information to supplement the basic financial statements.

## 1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise “entity-wide” statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the Library’s financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the Library’s assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or weakening. Evaluation of the overall economic health of the Library would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Library’s net position changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Library’s distinct activities or functions on revenues provided by the users of the Library’s services.

The government-wide financial statements report governmental activities of the Library that are principally supported by tax revenues. Governmental activities include general administrative services and culture and recreation.

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses a fund to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library as a whole with the major fund being separately reported.

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

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Government-Wide Financial Analysis

The Library's combined net position of governmental activities decreased approximately \$43,000 between the two years ended December 31, 2018 and 2017.

The following provides a summary of the net position (in thousands of dollars) of the Library as of December 31:

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 1,066	\$ 1,066
Capital assets	<u>150</u>	<u>155</u>
Total assets	<u>\$ 1,216</u>	<u>\$ 1,221</u>
Deferred outflows of resources	<u>\$ 35</u>	<u>\$ 59</u>
Liabilities	<u>\$ 39</u>	<u>\$ 65</u>
Deferred inflows of resources	<u>\$ 530</u>	<u>\$ 490</u>
Net position:		
Net investment in capital assets	\$ 150	\$ 155
Unrestricted	<u>532</u>	<u>570</u>
Total net position	<u>\$ 682</u>	<u>\$ 725</u>

As noted earlier, net position may serve over time as a useful indicator of the Library's financial position.

The following summarizes the Library's net position changes (in thousands of dollars) between the two years ended December 31:

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8	\$ 8
General revenues:		
Property taxes	474	467
State revenue sharing	26	28
Interest and miscellaneous	8	9
Total revenues	<u>\$ 516</u>	<u>\$ 512</u>
Expenses:		
General government	\$ 15	\$ 15
Culture and recreation	540	469
Depreciation	5	5
Total expenses	<u>\$ 560</u>	<u>\$ 489</u>
Increase in net position	<u><u>\$ ( 44)</u></u>	<u><u>\$ 23</u></u>

The Library's total revenues increased only by approximately \$4,000 while the total cost of all programs and services increased by approximately \$71,000. The Library's expenses cover a range of services with approximately 60% related to personal services (payroll, benefits, etc.).

General revenues are those available for the Library to pay for the governmental activities. For the year ended December 31, 2018, property taxes were the largest general revenue source (92%) by far for the Library.

Program revenues derive directly from the program itself and, as a whole, reduce the cost of the function to be financed from the Library's general revenues.

#### Financial Analysis of the Governmental Fund

As of December 31, 2018, the Library's governmental fund reported an ending unassigned fund balance of \$535,346, a decrease of \$34,773 from \$570,119 as of December 31, 2017.

### Budgetary Highlights

The Library made amendments to its original budget for the year ended December 31, 2018. Actual non-GAAP basis revenues of the General Fund of \$451,035 failed to meet budgeted revenues of \$559,061 by \$108,026 or 19.32%. Actual non-GAAP basis expenditures of \$535,524 exceeded the final budgeted expenditures of \$449,960 by \$85,564 or 19.02%.

### Capital Assets

As of December 31, 2018, the Library had invested \$150,157 in capital assets, including land, buildings, and equipment. There were no additions or deletions made during the year ended December 31, 2018.

### Economic Factors and Next Year's Budget

As the Library foresees little change in operations for the next year, 2019 budgeted revenues and expenditures remained relatively the same as the final 2018 budgeted amounts.

### Requests for Information

This financial report is designed to provide a general overview of the Library's financial picture for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Librarian, 524 East Madison Avenue, Bastrop, Louisiana 71220.

COMPONENT UNIT FINANCIAL STATEMENTS

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES - GENERAL FUND  
December 31, 2018

ASSETS

Cash	\$	566,727
Property taxes receivable		483,368
Net pension liability		15,418
Capital assets:		
Land		60,000
Other capital assets, net of depreciation		90,157
Total assets	\$	<u>1,215,670</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	\$	<u>34,502</u>
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LIABILITIES

Accounts payable	\$	14,896
Payroll withholdings		16,485
Long-term liabilities - due within one year		7,493
Total liabilities	\$	<u>38,874</u>

DEFERRED INFLOWS OF RESOURCES

Property taxes	\$	483,368
Resources related to pensions		46,244
Total deferred inflows of resources	\$	<u>529,612</u>

NET POSITION

Net investment in capital assets	\$	150,157
Unrestricted		531,529
Total net position	\$	<u>681,686</u>

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES - GENERAL FUND  
As of and for the Year Ended December 31, 2018

Expenses:	
Current:	
General government:	
Statutory charges	\$ 15,169
Culture and recreation:	
Personal services	334,609
Operating services	127,248
Materials and supplies	27,829
Library materials	39,742
Intergovernmental	3,205
Programs	6,233
Travel	810
Depreciation	5,151
Total expenses	<u>\$ 559,996</u>
Program revenues:	
Culture and recreation:	
Charges for services	<u>8,156</u>
Net program (expense) revenue	<u>\$( 551,840)</u>
General revenues:	
Property taxes	\$ 474,584
State revenue sharing	25,657
Interest and miscellaneous	8,024
Total general revenues	<u>\$ 508,265</u>
Change in net position	\$( 43,575)
Net position - beginning	<u>725,261</u>
Net position - ending	<u><u>\$ 681,686</u></u>

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND  
December 31, 2018

ASSETS

Cash	\$ 566,727
Property taxes receivable	<u>483,368</u>
Total assets	<u>\$ 1,050,095</u>

LIABILITIES

Accounts payable	\$ 14,896
Payroll withholdings	<u>16,485</u>
Total liabilities	\$ 31,381

DEFERRED INFLOWS OF RESOURCES

Property taxes	483,368
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FUND BALANCE

Unassigned	<u>535,346</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,050,095</u>

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND  
As of and for the Year Ended December 31, 2018

Revenues:	
Property taxes	\$ 474,584
State revenue sharing	25,657
Fines and forfeitures	1,554
Charges for services	6,602
Interest and miscellaneous	6,480
Total revenues	<u>\$ 514,877</u>
Expenditures:	
Current:	
General government:	
Statutory charges	\$ 15,169
Culture and recreation:	
Personal services	329,414
Operating services	127,248
Materials and supplies	27,829
Library materials	39,742
Intergovernmental	3,205
Programs	6,233
Travel	810
Total expenditures	<u>\$ 549,650</u>
Net change in fund balance	\$( 34,773)
Fund balance - beginning	<u>570,119</u>
Fund balance - ending	<u><u>\$ 535,346</u></u>

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION  
December 31, 2018

Total fund balance - governmental fund balance sheet	\$ 535,346
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	150,157
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	( 7,493)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	15,418
Net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	<u>( 11,742)</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 681,686</u>

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
December 31, 2018

Net change in fund balance - governmental fund \$( 34,773)

Amounts reported for governmental activities in statement of activities are 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. This is the amount of depreciation expense in the current period. ( 5,151)

Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds. 1,544

Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such. ( 5,195)

Change in net position - government-wide statement of activities \$( 43,575)

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Parish Library (the "Library") is a component unit of Morehouse Parish. It was created by Ordinance No. 618 adopted by the Police Jury of Morehouse Parish on April 5, 1939. The administration of and accounting functions for funds of Morehouse Parish Library were transferred from Morehouse Parish Police Jury to Morehouse Parish Library Board of Control effective January 1, 1983. The governing body of the Library consists of an eight member, non-compensated Board of Control which is appointed by Morehouse Parish Police Jury.

The Library provides approximately 28,000 parish citizens access to resource materials, books, magazines, films, recordings, and Internet.

The Board of Control is responsible for the hiring of a qualified librarian who is responsible for administration of day-to-day operations of the Library and supervision of employees.

The main Library and one full service branch are located at the parish seat, Bastrop, Louisiana, with three additional branches located within the parish and offering full services on a part-time basis.

The more significant of the Library's accounting policies are described below:

Basis of Presentation:

The accompanying basic financial statements of the Library have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financials statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

## NOTES TO FINANCIAL STATEMENTS

### Reporting Entity:

The Library does not possess all the corporate powers necessary to make it a legally separate entity from Morehouse Parish Police Jury, which holds the Library's corporate powers. For this reason, the Library is a component unit of Morehouse Parish Police Jury, the financial reporting entity.

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

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Library as a whole as governmental activities, generally supported by taxes and general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (a) charges for services which report fees, fines, and other charges to users of the Library's services; (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

### Fund Financial Statements:

Fund financial statements are provided for the governmental fund.

### Basis of Accounting and Measurement Focus:

The financial statements of the Library are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied.

## NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. Major revenue sources susceptible to accrual are property taxes. In general, other revenues are recognized when cash is received.

### Fund Type and Major Fund:

The Library reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Library and accounts for all financial resources.

### Budgets and Budgetary Accounting:

The Board of Control adopted the annual budget for the General Fund on October 23, 2017. The annual budget was prepared in accordance with the modified cash basis of accounting utilized by the General Fund. The Librarian is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Control. There was one amendment made to the annual budget and the budgetary comparison schedule included as supplementary information in the accompanying financial statements includes the original and final budget amounts. All annual appropriations lapse at fiscal year end.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### Cash:

Cash includes amounts in interest-bearing demand deposits and petty cash.

Under state law, the Library may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### Receivables:

Receivables include property taxes.

### Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Library's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

### Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. The Library maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Furniture and fixtures	5 - 7 years
Computer automation	5 years

## NOTES TO FINANCIAL STATEMENTS

### Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System (“PERSLA”) (the “Plan”), and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

### Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the Library’s statement of net position now reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Resources related to pensions are reported both as deferred outflows and inflows while property taxes receivable that are recorded before the period for which the taxes are actually levied are reported as deferred inflows of resources.

### Compensated Absences:

Full-time professional staff of the Library earn 22 days of vacation each anniversary year of employment. Non-professional staff members of the Library earn from ten to 20 days of vacation each anniversary year of employment, depending on length of service. Employees may not accumulate vacation. Upon resignation or retirement, employees are compensated for vacation earned but not taken during the current anniversary year of employment at the employee’s current rate of pay.

Employees of the Library also earn compensatory time in lieu of payment for time worked beyond the eight-hour workday or in addition to the regular 40-hour workweek. Compensatory time accrual is not limited but must be used by certain dates.

Sick leave with pay is granted to full-time and part-time employees working on a regular schedule. Sick leave allowance of ten working days per year is granted to full-time employees. The amount of time allowed part-time employees is pro-rated

## NOTES TO FINANCIAL STATEMENTS

on the hours worked per week. Sick leave accrual is limited to 30 days - 20 unused days from the past calendar years plus ten days granted during the current calendar year.

The Library's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences are paid from the fund responsible for the employee's compensation and are recorded in the fund financial statements only when payment is actually made.

NOTES TO FINANCIAL STATEMENTS

Equity Classifications:

In the government-wide financial statements, equity is classified as net position and classified into two components:

1. Net investment in capital assets - consists of capital assets net of accumulated depreciation
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balance is classified as unassigned as it is available for any purpose.

Revenue Recognition - Property Taxes:

Property taxes attach as an enforceable lien on property as of the date of the tax rolls are filed with the recorder of mortgages which, by law, must be on or before November 15 of each year. Billed taxes become delinquent on January 1 of the following year. Morehouse Parish Sheriff bills and collects the Library's property taxes using the assessed values determined by Morehouse Parish Tax Assessor.

Note 2. Cash and Deposits

The following is a summary of cash and deposits as of December 31, 2018:

Interest-bearing demand deposits	\$ 566,637
Petty cash	<u>90</u>
	<u>\$ 566,727</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned 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 jointly in the name of the pledging fiscal agent bank and the Library in a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2018, the Library had \$570,658 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$320,658 of pledged securities held by the Library or its agent in the Library's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 3. Property Taxes

For the year ended December 31, 2018, property taxes of 3.31 mills were levied on property with assessed valuations totaling \$181,791,672 as follows:

	<u>Maximum Millage</u>	<u>Authorized Millage</u>	<u>Expiration Date</u>
General corporate purposes	3.31	3.31	2019

The following are the principal property taxpayers for the parish as a whole for the year ended December 31, 2018:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Texas Gas Transmission Corp.	\$ 6,945,500
Entergy Louisiana Holdings, Inc.	6,635,980
Midcontinent Express Pipeline, LLC	4,564,430

Total ad valorem taxes levied for the year ended December 31, 2018 were \$483,368. As of December 31, 2018, ad valorem taxes receivable was \$483,368.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2018 for the Library is as follows:

	Balance January <u>1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December <u>31, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets being depreciated:				
Buildings and improvements	\$ 206,056	\$ -	\$ -	\$ 206,056
Furniture and equipment	18,048	-	-	18,048
Computer automation	<u>67,204</u>	<u>-</u>	<u>-</u>	<u>67,204</u>
Total capital assets being depreciated	<u>\$ 291,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,308</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 110,751	\$ 5,151	\$ -	\$ 115,902
Furniture and equipment	19,742	-	-	19,742
Computer automation	<u>65,507</u>	<u>-</u>	<u>-</u>	<u>65,507</u>
Total accumulated depreciation	<u>\$ 196,000</u>	<u>\$ 5,151</u>	<u>\$ -</u>	<u>\$ 201,151</u>
Total capital assets being depreciated, net	<u>\$ 95,308</u>	<u>\$( 5,151)</u>	<u>\$ -</u>	<u>\$ 90,157</u>

Depreciation expense of the governmental activities is reported in the statement of activities.

Note 5. Long-Term Liabilities

The following is a summary of the transactions of the Library's current portion of long-term liabilities for the year ended December 31, 2018:

	<u>Compensated Absences</u>
Balance - January 1, 2018	\$ 6,272
Additions	<u>1,221</u>
Balance - December 31, 2018	<u>\$ 7,493</u>

## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2018, employees of the Library had accumulated and vested compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of December 31, 2018 is reported in the statement of net assets as long-term liabilities.

### Note 6. Pension Plan and Other Pension Liabilities

The Library's employees are provided with benefits through Parochial Employees Retirement System of Louisiana (Plan A) ("PERSLA"), a multiple-employer cost-sharing plan. PERSLA provides retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

#### General Information About PERSLA:

PERSLA membership is provided on the date of employment to all permanent employees who work at least 28 hours per week. The Library participates in Plan A and provides retirement benefits to any member of Plan A who was hired before January 1, 2007 meeting one of the following criteria:

1. Any age with 30 or more years of creditable service
2. Age 55 with a minimum of 25 years creditable service
3. Age 60 with a minimum of 10 years of creditable service
4. Age 65 with a minimum of 7 years of creditable service

For members hired after January 1, 2007, benefits are provided to any member of Plan A meeting one of the following criteria:

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 retirement allowance for any member of Plan A consists of an amount equal to 3% of the member's monthly average final compensation times years of creditable service. However, under certain conditions (as outlined in the statutes), the benefits are limited to specified amounts. Survivor, death, and disability benefits are also provided under the plan.

## NOTES TO FINANCIAL STATEMENTS

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan ("DROP") for up to three years and defer the receipt of benefits. During such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP fund for the period.

For the year ended December 31, 2017, the actual employer contribution rate was 13.0%, and the actuarially required contribution rate was 10.5%.

The Plan receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations.

Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the Library is required to contribute at an actuarially determined rate. The current rate is 11.5% of annual covered payroll. Contributions to PERSLA also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Library are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Library's contributions to the System under Plan A for the years ended December 31, 2018, 2017, and 2016 were \$15,042, \$15,982, and \$17,971, respectively, equal to the required contributions for each year.

### Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources:

As of December 31, 2018, the Library reported a total of \$15,418 for its proportionate share of the net pension liability of the Plan.

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. The Library's proportions of the Plan as of December 31, 2017 and 2016, were 0.020772% and 0.022053%, respectively.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018, the Library recognized pension expense of \$19,034.

In addition, the Library reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred outflows of resources:

Change of assumptions	\$ 19,460
Contributions subsequent to the measurement date	<u>15,042</u>
 Total deferred outflows of resources	 <u>\$ 34,502</u>

Deferred inflows of resources:

Changes in proportion	\$ 644
Differences between expected and actual experience	9,980
Net difference between projected and actual earnings on pension plan investments	<u>35,620</u>
 Total deferred inflows of resources	 <u>\$ 46,244</u>

The deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 2,038
2020	( 2,573)
2021	( 12,130)
2022	<u>( 14,119)</u>
 Total	 <u>\$( 26,784)</u>

## NOTES TO FINANCIAL STATEMENTS

### Actuarial Assumptions:

The total pension liabilities in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.50%
Salary increases	5.25%
Investment rate of return	6.75%
Actuarial cost method	entry age normal
Expected remaining service lives	4 years

Mortality rates were based on the RP-2000 Employee Sex Distinct Table for active members, Healthy Annuitant Sex Distinct Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants.

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

### Target Asset Allocation:

The Plan's target asset allocation as of December 31, 2017, is as follows:

<u>Asset Class</u>	
Fixed income	35%
Equity	52%
Alternatives	11%
Real assets	<u>2%</u>
Totals	<u>100%</u>

## NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Library's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the Library's proportionate share of the net pension liability of PERSLA, calculated using the discount rates as shown above, as well as what the Library's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1% Decrease <u>(5.75%)</u>	Current Discount <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 76,016	\$( 15,418)	\$( 96,834)

Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in its separately issued financial statements.

### Note 7. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

### Note 8. Subsequent Events

Subsequent events were evaluated through June 13, 2019, which is the day the financial statements were available to be issued, and it was determined that no significant events had occurred requiring disclosure.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

BUDGETARY (NON-GAAP BASIS) COMPARISON SCHEDULE -  
GOVERNMENTAL FUND - GENERAL FUND  
As of and for the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable
	<u>Original</u>	<u>Final</u>		(Unfavorable)
Revenues:				
Property taxes	\$ 481,997	\$ 523,169	\$ 410,742	\$( 112,427)
State revenue sharing	25,892	25,892	25,657	( 235)
Fines and forfeitures	1,020	1,020	1,554	534
Charges for services	4,330	4,330	6,602	2,272
Interest and miscellaneous	4,650	4,650	6,480	1,830
Total revenues	<u>\$ 517,889</u>	<u>\$ 559,061</u>	<u>\$ 451,035</u>	<u>\$( 108,026)</u>
Expenditures:				
Current:				
General government:				
Statutory charges	\$ -	\$ -	\$ 15,169	\$( 15,169)
Culture and recreation:				
Personal services	286,979	271,422	322,173	( 50,751)
Operating services	111,000	114,800	124,001	( 9,201)
Materials and supplies	9,500	14,708	24,392	( 9,684)
Library materials	40,000	34,430	38,833	( 4,403)
Intergovernmental	3,500	-	3,205	( 3,205)
Programs	6,250	14,600	6,941	7,659
Travel	6,250	-	810	( 810)
Total expenditures	<u>\$ 463,479</u>	<u>\$ 449,960</u>	<u>\$ 535,524</u>	<u>\$( 85,564)</u>
Net change in fund balance (non-GAAP basis)	\$ 54,410	\$ 109,101	\$( 84,489)	\$( 193,590)
Fund balance (GAAP and non- GAAP basis) - beginning	<u>-</u>	<u>-</u>	<u>669,549</u>	<u>669,549</u>

(continued)

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

BUDGETARY (NON-GAAP) COMPARISON SCHEDULE -  
GOVERNMENTAL FUND - GENERAL FUND (Continued)  
As of and for the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance (non-GAAP basis) - ending	<u>\$ 54,410</u>	<u>\$ 109,101</u>	\$ 585,060	<u>\$ 475,959</u>
Adjustments to generally accepted accounting principles (GAAP):				
Payroll accruals			5,901	
Revenue accruals			( 65,213)	
Expenditure accruals			8,227	
Deferred inflows of resources			<u>1,371</u>	
Fund balance (GAAP basis) - ending			\$ 535,346	

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
Last Ten Fiscal Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of net pension liability	.020772%	.022053%	.028057%	.026618%
Proportionate share of net pension liability	\$ 15,418	\$ 45,418	\$ 73,854	\$ 7,278
Covered employees' payroll	\$ 127,856	\$ 138,239	\$ 160,871	\$ 150,630
Proportionate share of net pension liability as a percentage of covered employees' payroll	12.06%	32.85%	45.91%	4.83%
Plan fiduciary net position as a percentage of total pension liability	101.98%	94.15%	92.23%	99.15%

The accompanying notes are an integral part of this financial statement.

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS  
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
Last Ten Fiscal Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 15,982	\$ 17,971	\$ 23,326	\$ 23,967
Contributions in relation to contractually required contribution	<u>15,982</u>	<u>17,971</u>	<u>23,326</u>	<u>23,967</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 127,856	\$ 138,239	\$ 160,871	\$ 150,630
Contribution as a percentage of covered employees' payroll	12.50%	13.00%	14.50%	15.91%

The accompanying notes are an integral part of this financial statement.

OTHER SUPPLEMENTAL SCHEDULES

MOREHOUSE PARISH LIBRARY  
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
As of and For the Year Ended December 31, 2018

The Library paid no compensation, reimbursements, or benefits to an agency head during the year ended December 31, 2018.

The accompanying notes are an integral part of this financial statement.

COMPLIANCE REPORTING

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

To the Board of Control  
Morehouse Parish Library  
Bastrop, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Morehouse Parish Library, 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, and have issued my report thereon dated June 13, 2019.

***Internal Control Over Financial Reporting***

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiency and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as 2018-1 that I consider to be a significant deficiency.

To the Board of Control  
Morehouse Parish Library  
Bastrop, Louisiana

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Morehouse Parish Library's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-2 and 2018-3.

***Morehouse Parish Library's Response to Findings***

Morehouse Parish Library's responses to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Morehouse Parish 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the use of management of Morehouse Parish Library and the 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*David M. Hartt, CPA (PPAE)*

West Monroe, Louisiana  
June 13, 2019

MOREHOUSE PARISH LIBRARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

To the Board of Control  
 Morehouse Parish Library  
 Bastrop, Louisiana

I have audited the financial statements of Morehouse Parish Library, a component unit of the Morehouse Parish Police Jury as of and for the year ended December 31, 2018, and have issued my report thereon dated June 13, 2019. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2018, resulted in an unqualified opinion.

Section I- Summary of Auditor's Results

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness  yes  no

Significant Deficiencies not considered to be  
 Material Weaknesses  yes  no

Compliance

Compliance Material to Financial Statements  yes  no

B. Federal Awards – N/A

Material Weakness Identified  yes  no

Significant Deficiencies not considered to be  
 Material Weaknesses  yes  no

Type of Opinion on Compliance For Major Programs (No Major Programs)

Unqualified  Qualified

Disclaimer  Adverse

Are their findings required to be reported in accordance with the Uniform Guidance?

N/A

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster) CFDA Number(s) N/A

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a "low-risk" auditee, as defined by the Uniform Guidance? N/A

MOREHOUSE PARISH LIBRARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Internal Control and Compliance Material to the Financial Statements

**2018-1 Inadequate Segregation of Duties**

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Cause: Limited number of employees due to the small size of the Library.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

Management's Response: It is not feasible to correct this deficiency based on the size of the Library and limited revenues.

**2018-2 Unfavorable Budget Variances**

Criteria: Total actual revenues and expenditures within a fund should fall within a 5% favorable variance with the budgeted revenues and expenditures.

Condition: Total actual revenues failed to meet budgeted revenues by more than 5% variance and actual expenditures exceeded the total budgeted expenditures by more than 5%.

Effect: Because actual revenues and expenditures have unfavorable budget variances, the Library is not in compliance with the Local Government Budget Act.

Recommendation: Management should more closely monitor actual revenues and expenditures to ensure they do not exceed the 5% variance threshold in the future. Management should also amend the budget when actual amounts exceed the 5% variance threshold.

Management's Response: Management will more closely monitor actual revenues and expenditures while comparing to budgeted amounts in the future.

**2018-3 FICA and Medicare Not Being Withheld and Remitted to the Internal Revenue Service**

Criteria: New employees age 55 and older and who have 40 quarters or more of Social Security participation have an option to join the Parochial Retirement System. If the employee elects not to participate, the employee is required to pay into the Social Security system with an employer match of 7.65%.

Condition: Currently, the Library Director is not participating in the Parochial Retirement System nor is he having Social Security and Medicare withheld from his pay.

MOREHOUSE PARISH LIBRARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Internal Control and Compliance Material to the Financial Statements (Continued)

**2018-3 FICA and Medicare Not Being Withheld and Remitted to the Internal Revenue Service (continued)**

Effect: The Librarian is currently out of compliance with the IRS, Social Security and PERS.

Recommendation: I recommend participate in the retirement system, and if not, begin having the proper taxes withheld from his pay.

Management's Response: Social security and Medicare will be withheld from the Director's payroll check beginning with the July 1 payroll.

Section II - Financial Statement Findings

No findings were reported under this section.

Section III - Management Letter

No management letter was issued.

MOREHOUSE PARISH LIBRARY  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Internal Control and Compliance Material to the Financial Statements

**2017-1 Inadequate Segregation of Duties**

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: All accounting duties are performed by one employee.

Recommendation: None

Finding Status: Unresolved, see 2018-1 in current year findings.

Section II - Internal Control and Compliance Material to Federal Awards

This section is not applicable for this entity.

Section III - Management Letter

This section is not applicable for this entity.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Morehouse Parish Library and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Morehouse Parish Library (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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.

The findings obtained are described in the attachment to this report.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*David M. Hartt, CPA (APAC)*

West Monroe, Louisiana  
June 13, 2019

SUPPLEMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

*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.

Exceptions

Currently, the Library only has written policies and procedures addressing ethics, budgeting, travel and limited personnel policies. There are no other policies and procedures in place regarding the other areas noted above.

### ***Board or Finance Committee***

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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.
  - 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - 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.

#### Exceptions

The Library's minutes were reviewed and the Board met quarterly. Financial statements are not included in the minutes, but are distributed at each board meeting for the previous quarter.

### ***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);
  - 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); and
  - 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.

#### Exceptions

The Library's bank account and all reconciliations for each month have been prepared. There is no evidence that a member of management with no involvement in the transactions associated with the bank account has reviewed each bank reconciliation.

## Collections

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (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).
5. For each deposit site selected, obtain a listing of collection locations 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:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - 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.
  - 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.
  - 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.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts 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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - 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).
  - e) Trace the actual deposit per the bank statement to the general ledger.

## Exceptions

All cash/checks/money order (cash) collection is done at one location, the Library's main branch office. There is only one employee that handles all aspects of the accounting process and he is bonded. Receipts are given for cash received at the Library if asked for one.

***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).
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 two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - 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.
  - 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.
10. For each 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:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Exceptions**

A listing of disbursements was obtained and from that, 5 disbursements were randomly selected. Requisition or purchase orders are not used in purchasing and there is no approval on the invoices. There is only one employee in charge of all areas of the accounting function. The employee can add vendors to the computer system, has signatory authority and initiates the purchase. Blank checks are maintained in the locked filing cabinet and no signature stamp is used.

***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.
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.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
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).

#### Exceptions

The Library does not use any type of credit, debit fuel or p-cards.

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

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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:
- 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.

#### Exceptions

A list of all travel and related expense reimbursements, by person, was obtained. The reimbursements are reviewed and approved by the Director.

## ***Contracts***

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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. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- 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 governing body/board, 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 5 contracts, 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.

### Exceptions

No exceptions were identified in the performance of the procedures listed above.

## ***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. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials 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.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
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 two 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.
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 associated forms have been filed, by required deadlines.

### Exceptions

There are eight employees in the Library's office, with no formal employment contracts or pay rate structure. No changes were made to salaries during the year except a 3% annual pay increase approved by the board. No other exceptions were noted in the above procedures.

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

### Exceptions

No exceptions were identified in the performance of the procedures listed above.

### ***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.

### Exceptions

The Library has no debt.

### ***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 Library attorney of the parish in which the entity is domiciled.
24. 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.

### Exceptions

No exceptions were identified in the performance of the procedures listed above.