

CRITTENDEN COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2016

Crittenden County Public Library
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June 30, 2016

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Michael L. Overby, CPA, PLLC

Certified Public Accountant

123 North Main Street

Marion, KY 42064

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Crittenden County Public Library
Marion, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crittenden County Public Library as of and for the year ended June 30, 2016, 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 of 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crittenden County Public Library, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management Discussion and Analysis and Budgetary Comparison information, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 1, 2016, on my consideration of the Crittenden County Public 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 *Government Auditing Standards* in considering Crittenden County Public Library’s internal control over financial reporting and compliance.



Marion, Kentucky
November 1, 2016

**CRITTENDEN COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 232,508
Accounts receivable	5,901
	238,409
Noncurrent assets	
Restricted cash and cash equivalents	25,508
Capital assets, net of accumulated depreciation	214,140
	239,648
Total assets	478,057
Liabilities	
Current liabilities	
Accounts payable	1,290
Payroll liabilities	2,594
	3,884
Net position	
Investment in capital assets	214,140
Restricted for book fund	25,508
Unassigned	234,525
	474,173
Total net assets	\$ 474,173

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Government Activities:					
General government	\$ (168,706)	\$ 6,251	\$ 14,632	\$ -	\$ (147,823)
Depreciation	(102,144)	-	-	-	(102,144)
Total governmental activities	<u>(270,850)</u>	<u>6,251</u>	<u>14,632</u>	<u>-</u>	<u>(249,967)</u>
Total primary government	<u>\$ (270,850)</u>	<u>\$ 6,251</u>	<u>\$ 14,632</u>	<u>\$ -</u>	<u>(249,967)</u>
General revenues:					
					214,698
					583
					487
					<u>215,768</u>
					(34,199)
					508,372
					<u>\$ 474,173</u>

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Total Governmental Fund
Assets		
Cash and cash equivalents	\$ 232,508	\$ 232,508
Accounts receivable	5,901	5,901
Restricted cash and cash equivalents	25,508	25,508
Total assets	\$ 263,917	\$ 263,917
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,290	\$ 1,290
Payroll liabilities	2,594	2,594
Total liabilities	3,884	3,884
Fund balance		
Restricted for book fund	25,508	25,508
Unassigned	234,525	234,525
Total fund balance	260,033	260,033
Total liabilities and fund balance	\$ 263,917	\$ 263,917

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balance - governmental fund \$ 260,033

Amounts reported for governmental activities in the statement of net position are different because:

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

	Cost	\$ 1,305,626	
	Accumulated depreciation	<u>(1,091,486)</u>	<u>214,140</u>
Net position of governmental activities			<u><u>\$ 474,173</u></u>

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Total Governmental Fund</u>
Revenues		
Taxes		
Property	\$ 154,717	\$ 154,717
Motor Vehicle	42,413	42,413
Franchise	14,817	14,817
Delinquent	2,751	2,751
Intergovernmental revenue	13,124	13,124
Donations	1,508	1,508
Interest income	583	583
Other revenues	6,738	6,738
	<hr/>	<hr/>
Total revenues	236,651	236,651
	<hr/>	<hr/>
Expenditures		
General government	168,706	168,706
Capital outlay	47,919	47,919
	<hr/>	<hr/>
Total expenditures	216,625	216,625
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	20,026	20,026
	<hr/>	<hr/>
Net change in fund balance	20,026	20,026
	<hr/>	<hr/>
Fund balance, July 1, 2015	240,007	240,007
	<hr/>	<hr/>
Fund balance, June 30, 2016	<u>\$ 260,033</u>	<u>\$ 260,033</u>

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balance - governmental fund	\$ 20,026
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense exceed capital asset additions for the current period

(54,225)

Change in net assets of governmental activities

\$ (34,199)

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

**CRITTENDEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Crittenden County Public Library (“The Library”) is a county library supported with funds derived from property taxes and state grants. The library is operated by a district board comprised of members appointed by the County Judge Executive, a publicly elected official, and they have the decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters the library is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The Library is located in Marion, Kentucky and serves the Crittenden County, Kentucky area.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Library. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The Library segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financial. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Library has presented the following major governmental funds:

The General Fund is the main operating fund of the Library. This fund is used to account for all financial resources. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid to through other funds are paid from the General Fund.

**CRITTENDEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

D. Cash and Investments

For the purpose of all funds of the Crittenden County Public Library, cash on hand, cash in bank and certificates of deposits are considered to be cash and cash equivalents.

E. Government-Wide Net Assets

Government-wide net assets are divided into three (3) components:

Investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and reduced by the outstanding balances of any capital leases, notes or any other borrowings that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws and regulations, or 2) law through constitution provisions of enabling legislations.

Unrestricted net assets – all other net assets are reported in this category.

Fund Financial Statements:

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

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by District Board.
- **Assigned** – Amounts that are designated by the District Board for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the District Board.
- **Unassigned** – All amounts not included in other spendable classifications.

**CRITTENDEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

F. Income Taxes

The Crittenden County Public Library is exempt from federal income taxes under section 115 of the Internal Revenue Code and, therefore, has not made any provisions for federal income taxes in the accompanying financial statements.

G. Estimates

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance is recorded as expenses. Renewals and betterments are capitalized.

Note 2. Deposits and Investments

State statute requires that all deposits and investments in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Library's deposits were fully insured or collateralized as required by state statutes at June 30, 2016.

**CRITTENDEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balances July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances June 30, 2016</u>
Governmental Activities				
Building	\$ 231,409	\$ -	\$ -	\$ 231,409
Bookmobile	50,970	-	-	50,970
Furnishings	34,761	-	-	34,761
Library Materials	868,846	32,696	-	901,542
Equipment	71,721	15,223	-	86,944
Total Capital Assets	1,257,707	47,919	-	1,305,626
Less Accumulated Depreciation				
Building	(224,741)	(494)	-	(225,235)
Bookmobile	(37,927)	(5,097)	-	(43,024)
Furnishings	(20,938)	(2,686)	-	(23,624)
Library Materials	(650,955)	(88,572)	-	(739,527)
Equipment	(54,781)	(5,295)	-	(60,076)
Total Accumulated Depreciation	(989,342)	(102,144)	-	(1,091,486)
Governmental Activities Capital Assets, Net	\$ 268,365	\$ (54,225)	\$ -	\$ 214,140

Note 4. 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 purchased commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**CRITTENDEN COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amount		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 225,287	\$ 225,287	\$ 214,698	\$ (10,589)
State aid	12,000	12,000	13,124	1,124
Interest	300	300	583	283
Other income	5,388	5,388	8,246	2,858
Total revenues	242,975	242,975	236,651	(6,324)
Expenditures				
General government	199,197	199,197	168,706	30,491
Capital outlay	33,400	33,400	47,919	(14,519)
Total expenditures	232,597	232,597	216,625	15,972
Net change in fund balance	10,378	10,378	20,026	9,648
Fund balance, beginning	-	-	240,007	240,007
Fund balance, ending	\$ 10,378	\$ 10,378	\$ 260,033	\$ 249,655

The accompanying notes are an integral part of these financial statements

OTHER SUPPLEMENTARY INFORMATION

**CRITTENDEN COUNTY PUBLIC LIBRARY
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2016**

General Government

Advertising	\$ 2,828
Bookmobile expense	801
Computer expense	6,097
Dues and subscriptions	1,152
Housekeeping	5,400
Internet expense	1,137
Insurance	8,072
License and fees	4,628
Maintenance	7,335
Miscellaneous	104
Periodicals	1,845
Professional	3,100
Programming	1,326
Staff development	414
Supplies	6,771
Telephone	487
Travel	480
Utilities	8,569
Wages	84,018
Employee benefits	<u>24,142</u>
 Total expenditures	 <u><u>\$ 168,706</u></u>

**CRITTENDEN COUNTY PUBLIC LIBRARY
BOARD OF TRUSTEES AND OTHER ADMINISTRATIVE PERSONNEL
JUNE 30, 2016**

Board of Trustees		Term Expires
Daryl Tabor	President	11/24/18
Brenda Underdown	Vice President	11/24/19
Dulcie Hardin	Secretary	11/24/18
Cletus Hunt	Treasurer	11/24/17
Carol Harrison	Member	11/24/19

Other Administrative Personnel	
Regina Merrick	Director
Kathleen Guess	Assistant Director
Casey LaRue	Circulation Librarian
Nancy Brock	Bookmobile Librarian
Kimberly Mast	Library Clerk



Michael L. Overby, CPA, PLLC

Certified Public Accountant

123 North Main Street

Marion, KY 42064

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*

Independent Auditor's Report

To the Board of Trustees
Crittenden County Public Library

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, the business-type activities, each major fund, and the aggregate remaining fund information of Crittenden County Public Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Crittenden County Public Library's basic financial statements, and have issued my report thereon dated November 1, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Crittenden County Public 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 Crittenden County Public Library's internal control. Accordingly, I do not express an opinion on the effectiveness of Crittenden County Public Library's internal control.

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crittenden County Public 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 an

opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Marion, Kentucky
November 1, 2016

**CRITTENDEN COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

FINDINGS-FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2016-1 Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and financial statements are reliable. The segregation of accounting duties is an essential element of effective internal control, involving the separation of the custody of assets from related recording of those transactions.

Condition: As is often the case with smaller governmental units, segregation of conflicting duties within the Library's Finance department is difficult because of the limited number of personnel. Delegation of duties with a limited number of personnel cannot adequately provide the separation of custody of assets from the related recording and monitoring of transactions.

Effect: Potential material misstatements in the financial statements or material misappropriations of asset due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause: Duties of various transaction cycles are not adequately segregated.

Recommendation: While the Library has implemented mitigating controls to compensate for some segregation of duties, I encourage you to limit, to the extent possible, performance of incompatible duties by individuals in the Library's Finance department.

Views of Responsible Officials and Planned Corrective Actions: The Library will continue to evaluate the cost vs. the benefit of hiring additional personnel and further implementing compensating controls to mitigate the risk that internal control objectives will not be achieved.