

Logan County Public Library

Financial Statements

June 30, 2014



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com | blog.cricpa.com

REPORT

Independent Auditor’s Report 4

FINANCIAL STATEMENTS

Required Supplementary Information:

Management’s Discussion and Analysis 7

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 10

Statement of Activities..... 11

Fund Financial Statements:

Balance Sheet — Governmental Funds 12

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position..... 13**

**Statement of Revenues, Expenditures and Changes in
Fund Balance — Governmental Funds..... 14**

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balance to the
Statement of Activities..... 15**

Notes to the Financial Statements 16

Required Supplementary Information:

Budgetary Comparison Schedule for the General Fund 31

**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* 32**

Schedule of Findings and Responses 34

THOUGHT LEADERSHIP

Join Our Conversation



REPORT





Carr, Riggs & Ingram, LLC

927 College Street
Bowling Green, Kentucky 42101
PO Box 104
Bowling Green, Kentucky 42102-0104
(270) 782-0700
(270) 782-0932 (fax)

167 South Main Street
Russellville, Kentucky 42276
(270) 726-7151
(270) 726-3155 (fax)

www.cricpa.com

Independent Auditor's Report

Board of Trustees
Logan County Public Library
Russellville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2014, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-9 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.



FINANCIAL STATEMENTS

**Logan County Public Library District
Russellville, Kentucky
Management's Discussion and Analysis
Fiscal Year July 1 2013 - June 30, 2014**

This discussion and analysis of the Logan County Public Library District (the Library) is offered by management as a narrative overview of the financial activities of the Library for the fiscal year July 1, 2013 – June 30, 2014. This information should be considered in conjunction with the Library's financial statements, notes to financial statements, and additional information contained in the audit.

The Logan County Public Library District was established in January, 1966 by public petition. The Library is governed by a five-member Board of Trustees which is solely responsible for managing the Library's assets and approval of policies. The Library Director is solely responsible for library operation and interpretation of library policy.

The primary source of Library income is property and other local taxes. Less than 2% of the budget is from State Aid. Less than 1% of the budget comes from federal funds.

FINANCIAL HIGHLIGHTS

- Total net position increased \$169,152. The liability for accrued compensated absences (that which would be owed staff if the library closed on June 30, 2014) was \$9,158. Beginning general fund balance for July 1, 2013 (beginning of current fiscal year) was \$873,079. The ending general fund balance was \$761,548, with a decrease of \$111,531 for 2013-14. Total assets and liabilities in the government-wide financials statements were \$5,049,439 and \$2,944,931, respectively, which both experienced decreases in the current year.
- Sources of general revenues for the Library include property tax (\$1,150,812), State Aid (\$18,707), Federal Aid (\$13,567), Gifts (\$7,967), Interest Income (\$2,070) and Charges for Services (\$25,726). Charges for services include late fees for overdue library materials, photocopying charges, fees for facsimile transmittal services, sale of surplus property (used and discarded library materials), and other income. Total revenue for the fiscal year totaled \$1,218,849.
- Total expenses for the fiscal year were \$2,950,380. General fund expenses were \$1,030,380 and construction fund expenses were \$1,920,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the Library would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Library infrastructure in addition to the financial information provided in this report.

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

Both government-wide financial statements distinguish governmental activities of the Library that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The Library's financial reporting includes the funds of the Library (primary government) and an organization, which the Library is accountable (component unit). The legally separate organization serves as a financing vehicle for library services (revenue bond issues, and is governed by a board of trustees wholly comprised of the Library's direct and board members). The component unit is a blended in the accompanying financial statements.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library's most significant funds rather than the Library as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The major funds for the Library are the general fund and the construction fund.

NOTES TO THE 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.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$795,736. \$761,548 of these funds are unreserved, indicating availability of

continuing Library service requirements. The remaining \$34,188 is reserved for the ongoing building project. The total ending fund balances of governmental funds show a decrease of \$1,731,239 from the previous year.

CAPITAL ASSETS

Expenditures capitalized for the year in the Statement of Net Position amounted to \$1,999,817. These capitalized expenditures were for books, videos, computers and the construction in progress of the new library. Disposals of books, videos, equipment, furniture and computers amounted to \$321,363. Also disposal of leasehold improvements that were left at the old facility amounted to \$12,572. Net book value of assets at June 30, 2014 is \$4,145,364, an increase from 2013 of \$1,839,946.

LONG TERM DEBT

At year-end the Library had \$2,870,000 in general obligation bond outstanding. This was a decrease of 2% over last year. The decrease was due to the normal repayment of bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget for fiscal year 2013-2014 was \$1,178,800 for revenues and \$1,170,800 for expenses. The difference in these two amounts was due to a formula error in the budget. Due to position changes in the library administration, there was a noticeable reduction in salary expenditures, with a decrease in salaries of \$33,309. Decreases in health insurance and retirement contributions resulted in a decrease of \$24,362 for fringe benefits.

The General Fund budget complies with financial policies approved by the Board of Trustees for the maintenance of core Library services.

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS TO RATES

The general outlook for the Library for the next year is for continued moderate growth which is due to increasing population producing an improvement over the current fiscal year. In general, any major swings in the overall economy have a smaller effect on the Library due to the diversity of the local economy.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Library's finances, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Director, Logan County Public Library, 225 Armory Drive, PO Box 357, Russellville, Kentucky 42276.

**Logan County Public Library
Statement of Net Position**

June 30,	2014
	Governmental Activities
Assets	
Cash	689,688
Investments	204,542
Accounts receivable	9,845
Capital assets, net of depreciation	4,145,364
Total assets	5,049,439
Liabilities	
Accounts payable	72,968
Compensated absences	9,158
Accrued liabilities	17,122
Unearned revenue	9,091
Accrued interest	6,832
Long-term obligations	
Due within one year	
Outstanding bonds	70,000
Other	1,788
Due beyond one year	
Outstanding bonds	2,751,863
Other	6,109
Total liabilities	2,944,931
Net Position	
Invested in capital assets, net of related debt	1,315,604
Restricted for capital outlay	34,188
Unrestricted	754,716
Total Net Position	\$ 2,104,508

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

**Logan County Public Library
Statement of Activities**

Year Ended June 30, 2014	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Personnel	\$ 496,691	\$ -	\$ 5,422	\$ -	\$ (491,269)
Fringe benefits	160,434	-	-	-	(160,434)
General operations	104,130	22,046	8,145	-	(73,939)
Library materials	25,017	-	-	-	(25,017)
Continuing education	3,769	-	-	-	(3,769)
Electronic access	15,260	-	-	-	(15,260)
Bookmobile expense	931	-	-	-	(931)
Depreciation expense-unallocated	147,037	-	-	-	(147,037)
Capital outlay	-	-	-	7,967	7,967
Loss on disposal of equipment	9,154	-	-	-	(9,154)
Interest expense	83,886	-	-	-	(83,886)
Total Governmental Activities	\$ 1,046,309	\$ 22,046	\$ 13,567	\$ 7,967	(1,002,729)
			General Revenues		
			Property taxes		1,150,812
			State aid		18,707
			Interest income		2,362
			Total general revenues		1,171,881
			Change in Net Position		169,152
			Net Position - Beginning of Year		1,935,356
			Net Position - End of Year		\$ 2,104,508

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

**Logan County Public Library
Balance Sheet
Governmental Funds**

June 30, 2014	General Fund	Construction Fund	Total Governmental Funds
Assets			
Cash	\$ 591,359	\$ 98,329	\$ 689,688
Investments	204,542	-	204,542
Accounts receivable	9,845	-	9,845
Total Assets	\$ 805,746	\$ 98,329	\$ 904,075
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 8,827	\$ 64,141	\$ 72,968
Compensated absences	9,158	-	9,158
Accrued liabilities	17,122	-	17,122
Unearned revenue	9,091	-	9,091
Total liabilities	44,198	64,141	108,339
Fund Balance			
Restricted	-	34,188	34,188
Committed	494,385	-	494,385
Unassigned	267,163	-	267,163
Total fund balance	761,548	34,188	795,736
Total Liabilities and Fund Balance	\$ 805,746	\$ 98,329	\$ 904,075

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

**Logan County Public Library
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30,	2014
Total Fund Balances - Governmental Funds	\$ 795,736
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$4,661,888, and the accumulated depreciation is \$516,524.</p>	4,145,364
<p>Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(2,821,863)
Other debt	(7,897)
Accrued interest on outstanding bonds	(6,832)
Total Net Position - Governmental Activities	\$ 2,104,508

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

Logan County Public Library
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2014	General Fund	Construction Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 1,150,812	\$ -	\$ 1,150,812
Intergovernmental - state	18,707	-	18,707
Intergovernmental - federal	13,567	-	13,567
Contributions	7,967	-	7,967
Fines, copies and faxes	17,486	-	17,486
Book sales	1,482	-	1,482
Interest income	2,070	292	2,362
Other income	6,758	-	6,758
Total revenues	1,218,849	292	1,219,141
Expenditures			
Personnel	496,691	-	496,691
Fringe benefits	160,434	-	160,434
Capital outlay	4,765	1,919,839	1,924,604
General operations	101,440	161	101,601
Library materials	90,845	-	90,845
Continuing education	3,769	-	3,769
Electronic access	19,277	-	19,277
Bookmobile	931	-	931
Debt service: principal	70,000	-	70,000
Debt service: interest	82,228	-	82,228
Total expenditures	1,030,380	1,920,000	2,950,380
Excess (Deficiency) of Revenues over Expenditures	188,469	(1,919,708)	(1,731,239)
Other Financing Sources (Uses)			
Operating transfers-in	-	300,000	300,000
Operating transfers-out	(300,000)	-	(300,000)
Total other financing sources (uses)	(300,000)	300,000	-
Net Change in Fund Balance	(111,531)	(1,619,708)	(1,731,239)
Fund Balance - Beginning of Year	873,079	1,653,896	2,526,975
Fund Balance - End of Year	\$ 761,548	\$ 34,188	\$ 795,736

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

Logan County Public Library
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to the Statement of Activities

Year Ended June 30,	2014
Total Net change in Fund Balances - Governmental Funds	\$ (1,731,239)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$1,990,877) exceeds depreciation expense (\$147,037).	1,843,840
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(12,834)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	71,043
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(1,658)
Change in Net Position of Governmental Activities	\$ 169,152

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

Logan County Public Library

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

● *General Statement*

The Logan County Public Library (the “Library”) was created by petition in 1966 under the provisions of KRS 173.710 to 173.800 as a special taxing district. The mission of the Logan County Public Library is service to all people. This encompasses individuals and groups of every age, education, philosophy, occupation, economic level, ethnic origin and human condition. Fulfilling the educational, informational and recreational needs of these people is the Logan County Public Library’s broad purpose. More specifically, it helps people to keep up with change in all areas, educate themselves continually, become better members of their family and community, become socially and politically aware, be more capable in their occupations, develop their creative abilities and spiritual capacities, appreciate and enjoy literature and art, contribute to the overall expanse of knowledge and stimulate their own personal social well-being.

● *Reporting Entity*

The Board of the Logan County Public Library (the “Board”), a five member group, is the level of government which has oversight responsibilities over all activities related to the public lending of materials within Logan County. The Library receives funding from local and state government sources and must comply with the commitment requirements of these funding source entities. However, the Library is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are nominated by the Board and approved by Logan County Fiscal Court (the “Fiscal Court”). The Fiscal Court’s authority is not substantive and is limited by a nomination process. The Library is a legally separate organization that can sue and be sued in their own name. The Board has decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The financial statements of the Library include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included as a blended component unit in the accompanying financial statements:

Logan County Public Library District Property Corporation — The Logan County Public Library resolved to authorize the establishment of the Logan County Public Library District Property Corporation (a non-profit, non-stock, public and charitable corporation) as an agency of the

Logan County Public Library Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Library for financing the costs of building improvements. The Board members of the Logan County Public Library also comprise the Corporation's Board of Trustees.

● *Basis of Presentation*

Government-wide Financial Statements — The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Library's assets and liabilities, including capital assets, as well as long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Library are reported in three categories: 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents the comparison between direct expenses of a given function or segment and are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Library.

Fund Financial Statements — Fund financial statements report detailed information about the Library's funds. Separate statements for each fund category—governmental

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

funds are presented. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and unassigned. Information concerning the Library's fund balances can be found in Note 6.

The Library has the following funds:

▶ **Governmental Fund Types**

The *General Fund* is the primary operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balance is considered as resources available for use. The general fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

● **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

● ***Budget***

The Library adopts an annual budget for the General Fund. The budget is prepared on the cash basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid, respectively. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. A reconciliation of the cash basis actual amounts in the budgetary comparison to the GAAP basis actual amounts in the fund and government-wide statements is shown at the bottom of the budgetary comparison schedule if significant variances exist. The amended budget amounts presented in the accompanying financial statements have been adjusted for authorized amendments of the annual budget adopted by the Library Board. All appropriations lapse at year end.

● ***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 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.

● ***Investments***

Investments are reported at cost, which approximates fair value. Investments consist of short-term certificates of deposit.

● ***Capital Assets***

Capital assets, including property and equipment, are reported in the government-wide financial statements. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

● **Capital Assets (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Library depreciates capital assets over the estimated useful life of the asset using the straight-line method of depreciation as follows:

Description	Estimated Lives
Building and improvements.....	25-50 years
Furniture and equipment.....	10 years
Technology equipment	5 years
Vehicles	10 years
Books.....	7 years
Software.....	3 years

● **Property Taxes**

Property taxes collected are recorded as revenues in the general fund. The assessment date of the property taxes is January 1 of each year. The final levy is normally approved September 1 through September 15. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

● **Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

● ***Compensated Absences***

Compensated absences are those absences for which employees will be paid, such as vacation days. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Library and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Library and its employees are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements and fund statements.

● ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

● ***Net Position***

The Library classifies its net position into the following three categories:

Invested in capital assets - This represents the Library's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Library's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

● ***Revenues — Exchange and Nonexchange Transactions***

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Library, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the Library, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the Library must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the Library on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

● ***Subsequent Events***

The Library has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through September 4, 2014, which was the date the financial statements were made available.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***New Accounting Pronouncements***

Recently Issued Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of FASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Library’s financial statements.

Note 2: Cash and Investments

At June 30, 2014, the carrying amount of the Library’s deposits (cash and investments) was \$893,783 and bank balances were \$910,484. The Library maintains its deposits with financial institutions insured by federal depository insurance (FDIC) or are secured by pledged securities held by the pledging financial institution’s agent in the Library’s name. The bank balances were fully insured and collateralized.

▶ ***Custodial Credit Risk-Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Library’s deposits may not be returned to it. The Library does not have a formal deposit policy for custodial credit risk. However, the Library is required by state statute that bank deposits must be collateralized. The Library’s bank balance of \$910,484 was not exposed to custodial credit risk as of June 30, 2014.

• ***Investments***

The Library’s investments, which are stated at cost, at June 30, 2014 are as follow:

June 30, 2014			
Investment	Rating	Maturities	Fair Value
CD	N/R	5/9/2015	204,542
Total			\$ 204,542

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

▶ *Interest Rate Risk*

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

▶ *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the Library is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The Library has no investment policy that would further limit its investment choices.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

June 30, 2014	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 139,692	\$ -	\$ -	\$ 139,692
Construction in Progress	1,874,645	1,921,032	(3,795,677)	-
Total non-depreciable cost	2,014,337	1,921,032	(3,795,677)	139,692
Capital assets that are depreciated:				
Leasehold improvements	12,572	-	(12,572)	-
Building	-	3,503,168	-	3,503,168
Equipment	32,869	42,503	(16,787)	58,585
Furniture	33,128	246,853	(33,128)	246,853
Computers	75,422	16,110	(16,456)	75,076
General	16,064	-	(13,978)	2,086
Vehicles	8,500	-	-	8,500
Collection	803,114	65,828	(241,014)	627,928
Total depreciable cost	981,669	3,874,462	(333,935)	4,522,196
Less: accumulated depreciation	(690,588)	(147,037)	321,101	(516,524)

**Logan County Public Library
Notes to the Financial Statements (Continued)**

Note 3: Capital Assets (Continued)

June 30, 2014	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Total depreciable cost, net	291,081	3,727,425	(12,834)	4,005,672
Governmental Activities, Capital Assets-Net	\$ 2,305,418	\$ 5,648,457	\$ (3,808,511)	\$ 4,145,364

Note 4: Compensated Absences

Employees are allowed to accrue vacation hours, which are vested up to 42 hours. Accordingly, the employees can be paid for unused vacation days upon termination of employment up to 42 hours.

A liability for accumulated vacation hours is accrued when incurred in the government-wide financial statements and fund statements.

The amount accrued in the government-wide and fund financial statements is \$9,158 at June 30, 2014.

Note 5: Long-Term Obligations

The original amount of each issue, the issue date and interest rates are summarized below:

Issue Date	Proceeds	Rates
2012	\$ 2,940,000	.70%–3.50%

Year	Principal	Interest	Total Debt Service
2015	\$ 70,000	\$ 81,739	\$ 151,739
2016	70,000	81,179	151,179
2017	70,000	80,549	150,549
2018	70,000	79,814	149,814
2019	75,000	78,944	153,944
2020-2024	385,000	375,520	760,520
2025-2029	445,000	320,345	765,345
2030-2034	510,000	245,850	755,850

**Logan County Public Library
Notes to the Financial Statements (Continued)**

Note 5: Long-Term Obligations (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2035-2039	605,000	152,877	757,877
2040-2043	570,000	40,773	610,773
	<u>\$ 2,870,000</u>	<u>\$ 1,537,590</u>	<u>\$ 4,407,590</u>

Maturities of other debt are as follow for the fiscal years ending:

<u>June 30,</u>	
2015	\$ 1,788
2016	1,788
2017	1,788
2018	1,788
Thereafter	745
	<u>\$ 7,897</u>

The Library is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Logan County Public Library District Property Corporation to construct facilities. The Library has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

Long-term liability activity for the year ended June 30, 2014 was as follows:

<u>June 30, 2014</u>	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Bonds	\$ 2,940,000	\$ -	\$ 70,000	\$ 2,870,000	\$ 70,000
Less discount	(49,836)	-	(1,699)	(48,137)	-
Total Bonds	2,890,164	-	68,301	2,821,863	70,000

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 5: Long-Term Obligations (Continued)

June 30, 2014	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due Within One Year
Other liabilities:					
Other	-	8,940	(1,043)	7,897	1,788
Total other liabilities	-	8,940	(1,043)	7,897	1,788
Total Long-Term Liabilities	\$ 2,890,164	\$ 8,940	\$ 67,258	\$ 2,829,760	\$ 71,788

Note 6: Fund Balances

The five categories of fund balances are as follow:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2014, the Library had no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the Library had \$34,188 as restricted funds for capital projects in the construction fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the Library is the Board of Trustees. The Board of Trustees must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The Library had the following commitments at June 30, 2014: \$494,385 for future construction.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2014 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 6: Fund Balances (Continued)

nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Library's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2014 in the governmental funds balance sheet.

Note 7: Employees' Retirement Plan

The Library participates in a statewide, cost-sharing, multiple-employer, public employers' defined benefit pension plan on behalf of Library employees. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability and death benefits to plan members. Under the provision of KRS 61.565, the plan is administered by the Board of Trustees of Kentucky Retirement Systems and funded by contributions from participants and employers and by investment earnings. The CERS issues a publicly available financial report that includes financial statements and required supplementary information. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

● ***Plan Descriptions, Contribution Information and Funding Policies***

Kentucky Retirement Systems County Employees' Retirement System Non-Hazardous Employees Pension Plan (CERS)

All regular full-time employees in a non-hazardous position of duty are eligible to participate in CERS. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

Participants have a vested right to retirement benefits at age 65 with a least four years of service or at any age with at least 27 years of service, if they do not withdraw deposits. A member may receive a reduced standard annuity at age 55 with five or more years of service or any age below 55

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 7: Employees' Retirement Plan (Continued)

with 25 or more years of service. Benefits under CERS will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Non-hazardous duty employees were required to contribute 5% (6.0% for new hires effective July 1, 2008) of their annual creditable compensation, which is withheld by the Library. The Library was required to contribute at an actuarially determined rate. The rate was 18.89%, 19.55% and 18.96% for the years ended June 30, 2014, 2013 and 2012, respectively, of participating non-hazardous duty employee's annual creditable compensation. Normal contributions and past service contribution rates are determined in accordance with KRS 61.565(3) on the basis of an annual valuation. The Library's contributions to CERS for the years ended June 30, 2014, 2013 and 2012 were \$71,882, \$84,066 and \$78,072, respectively, equal to the required contributions for each year.

Note 8: Contingencies

The Library receives funding from state agencies, non-public grants and private donations. These funds may be required to be used for designated purposes. If the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced. The amount of such future refunds, if any, is not expected to be significant. Continuation of the Library's grant program is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In 2012, lawsuits were filed against some Kentucky libraries contending the libraries had not followed applicable laws in establishing tax rates. The law in question is used primarily by Kentucky libraries in setting annual tax rates. Some circuit courts have favored with the plaintiffs that the libraries had improperly raised taxes over time. The libraries plan to appeal the courts' decisions. The Kentucky Library Association has been engaged to assist in the defense of Kentucky libraries. Should the decision be up held, the ruling could have a significant impact on Kentucky libraries' operations. At this time, it is uncertain of the ultimate impact, if any, of these lawsuits on the Logan County Library's operations.

Note 9: Insurance and Related Activities

The Library is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Library has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

Logan County Public Library
Notes to the Financial Statements (Continued)

Note 10: 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. To obtain insurance for worker's compensation, unemployment insurance, errors and omissions, property and general liability coverage, the Library participates in the Kentucky Association of Counties (KACo) Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for political subdivisions in the State of Kentucky. The Library, along with other participating entities, contributes annual premiums determined by KACo. The amount of the premium is based on actuarial evaluations, rating plans and other analyses of the amounts necessary for the payment of claims. If, in the opinion of KACo's Board, the assets of the Fund are insufficient to enable the Fund to discharge its legal liabilities and other obligations and to maintain required reserves, the Fund's Board may require certain participating members to contribute supplementary contributions. The Library is not aware of any additional assessments payable to the Fund to cover claims. The Library's claims are submitted to and paid by KACo. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years.

Note 10: Excess Expenditures over Appropriations

The Library has no funds with a fund deficit balance. However, the following funds has excess current year expenditures over current year appropriated revenues:

Year Ended June 30, 2014	
Fund	Amount
Construction	\$ 1,919,708

Note 11: Fund Transfers

Fund transfers for the year ended June 30, 2014 consist of the following:

From Fund	To Fund	Purpose	Amount
General	Construction	Construction	\$ 300,000

**Logan County Public Library
Budgetary Comparison Schedule for the General Fund**

Year Ended June 30, 2014

	<u>Budgeted amounts</u>		Actual	Variances
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,115,000	\$ 1,115,000	\$ 1,150,812	\$ 35,812
Intergovernmental - state	20,800	20,800	18,707	(2,093)
Intergovernmental - federal	8,000	8,000	13,567	5,567
Contributions	-	-	7,967	7,967
Fines, copies and faxes	-	-	17,486	17,486
Book sales	-	-	1,482	1,482
Interest income	-	-	2,070	2,070
Other income	35,000	35,000	6,758	(28,242)
Total revenues	1,178,800	1,178,800	1,218,849	40,049
Expenditures				
Personnel	530,000	530,000	496,691	33,309
Fringe benefits	184,796	184,796	160,434	24,362
General operations	93,000	93,000	101,440	(8,440)
Library materials	100,000	100,000	90,845	9,155
Continuing education	2,120	2,120	3,769	(1,649)
Electronic access	20,000	20,000	19,277	723
Bookmobile expense	1,500	1,500	931	569
Capital outlay	10,000	10,000	4,765	5,235
Debt service: interest	160,000	160,000	82,228	77,772
Debt service: principal	-	-	70,000	(70,000)
Contingency	69,384	69,384	-	69,384
Total expenditures	1,170,800	1,170,800	1,030,380	140,420
Excess of Revenues over Expenditures	8,000	8,000	188,469	180,469
Other Financing Sources (Uses)				
Operating transfers out	-	-	(300,000)	(300,000)
Total other financing uses	-	-	(300,000)	(300,000)
Net Change in Fund Balance	8,000	8,000	(111,531)	(119,531)
Fund Balance - Beginning of Year	-	-	873,079	873,079
Fund Balance - End of Year	\$ 8,000	\$ 8,000	\$ 761,548	\$ 753,548



Carr, Riggs & Ingram, LLC

927 College Street
Bowling Green, Kentucky 42101
PO Box 104
Bowling Green, Kentucky 42102-0104
(270) 782-0700
(270) 782-0932 (fax)

167 South Main Street
Russellville, Kentucky 42276
(270) 726-7151
(270) 726-3155 (fax)

www.cricpa.com

**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 Trustees
Logan County Public Library
Russellville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 4, 2014.

● **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

To the Board of Trustees
Logan County Public Library

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. We consider the deficiency described in the accompany schedule of findings and responses to be a material weakness, 2014-01.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

● **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

● **Library's Response to Findings**

The Library's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

● **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
September 4, 2014

- **2014-01 Financial Reporting**

Criteria: We have made material audit adjustments to accounts payable/retainage payable. The internal control structure should be such that misstatements in the Library's financial statements are prevented, or detected and corrected, on a timely basis. Management has the responsibility for the financial reporting, both the basic financial statements and the footnote disclosures.

Cause: Certain internal controls were not in place to prevent, or detect and correct material misstatements.

Effect: Financial statements could contain material undetected errors.

Audit Recommendation: We recommend controls over the financial close process be reviewed to ensure material amounts are reported correctly and timely in the Library's financial statements.

Views of Responsible Officials and Planned Corrective Actions: After the material misstatement was discovered and the necessary adjustments were made, the library director and business manager worked together to implement a process to double-check all tax receipts so that the same error would not occur in the future. At the end of each month, the two reports are compared and reconciled. It is management's view that this newly adopted process will help ensure that potential future misstatements, should they occur, would be discovered and corrected in a timely manner.

Regarding the issue of retainage payable on the construction account—the problem has been corrected, and the library plans to spend down and close this account before the end of the next fiscal year, thus eliminating this problem in the future.



THOUGHT LEADERSHIP



Join Our Conversation



WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning