

JACKSON COUNTY PUBLIC LIBRARY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Jackson County Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Jackson County Public Library, as of and for the year ended June 30, 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

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Jackson County Public Library, as of June 30, 2018, and the respective changes in financial position thereof 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 3 through 5 and page 18 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 June 5, 2019 on our consideration of the Jackson County Public Library's internal control over financial reporting and on 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 Jackson County Public Library's internal control over financial reporting and compliance.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
June 5, 2019

**JACKSON COUNTY PUBLIC LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Jackson County Public Library’s management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the Library’s Financial Statements, which follow.

Financial Highlights

- I. The Library spent approximately 6% of its total expenditures on books, audiovisual and associated Library Materials.*
- II. The Library’s share of the taxing district revenues increased 8% from the previous fiscal year.*
- III. The Library’s staff compensation during the course of the year decreased as a result of director search.*

Overview of the Financial Statements

This annual report includes this management’s discussion and analysis report, the independent auditor’s report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Library’s overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library’s operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library’s accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library’s finances is “Is the Library as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the Library’s activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library’s net position – the difference between assets and liabilities – as a way to measure the Library’s financial position. Over time, increases or decreases in the Library’s net position is one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Library’s overall activity.

Governmental activities – most of the Library’s basic services are reported here. Property taxes, grants, and other income finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library’s funds. The fund financial statements provide more information about the Library’s funds and current year details of operations and not the Library as a whole.

The Library’s fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 964,380	\$ 994,601	\$ (30,221)
Other assets	587,383	507,171	80,212
Long-term liabilities	26,508	34,358	(7,850)
Current liabilities	9,155	8,864	291
Invested in fixed assets	964,380	994,601	(30,221)
Unrestricted net position	551,720	463,949	87,771

Revenue and Expense Comparison on the fund balance for the years ended:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Taxing district revenues	\$ 442,730	\$ 414,942	\$ 27,788
Grant revenues	-	10,190	(10,190)
Investment income	236	183	53
Charges for services	2,895	2,647	248
Other revenues	3,657	1,196	2,461
Total revenues	<u>449,518</u>	<u>429,158</u>	<u>20,360</u>
Personnel expenses	254,595	315,982	(61,387)
Library materials	28,429	30,630	(2,201)
Repairs and maintenance	22,385	16,660	5,725
Technology	2,218	-	2,218
Utilities	16,506	16,369	137
Insurance	7,234	7,696	(462)
Office supplies	1,002	1,277	(275)
Professional fees	6,417	5,800	617
Bookmobile	1,062	1,636	(574)
Staff development	659	279	380
Public relations	11,264	6,041	5,223
Library supplies	6,288	18,739	(12,451)
Other expenses	3,689	21,021	(17,332)
Depreciation	<u>30,220</u>	<u>38,929</u>	<u>(8,709)</u>
Total expenditures	<u>391,968</u>	<u>481,059</u>	<u>(89,091)</u>
Change in net position	<u>\$ 57,550</u>	<u>\$ (51,901)</u>	<u>\$ 109,451</u>

The Library's main source of revenue is property tax, which is approximately 98% of the Library's total revenue. Other income sources included donations, state aid, and fines and fees. The personnel expense represents 65% of total expenditures. Personnel expenditures increased about 13% from the previous year, due to increases in health insurance costs, and an increase in staff compensation.

Budget Highlights

The library operates on a zero balance budget which seeks to present all funds held by the library. The library adopts an annual budget each spring. A preliminary budget is discussed by the Director and Trustees before adopting a final budget. The budget provides framework, in conjunction with a long-range plan, to guide expenditures throughout the year. The budget is amended throughout the year if unusual or unexpected events occur. The Trustees are presented with a current month and a prior year monthly comparison, as well as a year-to-date statement at each monthly meeting.

Budget Comparison for 2017-2018

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 407,985	\$ 449,518	\$ 41,533
Employee Expenses	284,937	254,595	30,342
Library Materials	32,435	28,429	4,006
Operating Expenses	33,118	42,294	(9,176)
Professional Services	9,500	6,417	3,083
Bookmobile/Van	4,000	1,062	2,938
Education/Travel	1,000	659	341
Technology	1,800	2,218	(418)
Other Expenses	4,010	3,689	321
Repairs and maintenance	4,200	22,385	(18,185)
Capital outlay	32,985	-	32,985
Total Income (Loss)	<u>\$ -</u>	<u>\$ 87,770</u>	<u>\$ 87,770</u>

Economic Factors and Next Year's Budget

The library recognizes the local economy as a major factor when creating the annual budget. Property taxes remain the single largest source of revenue for the operation of the library. The library also recognizes the increased demand for library resources and services, the need to adequately fund any endeavors the library pursues and maintaining current operations without unduly affecting the community as a whole. The 2017-2018 budget reflected the library's commitment to finding solutions to space needs and the age of the current library. The budget reflects the library's commitment to careful spending while maintaining and expanding services that the public has come to expect. The library is dedicated to creating a significant and positive impact upon the community. The library is committing library resources and staff time to bring additional educational experiences into the schools. Additionally, the library has developed a long range strategic plan that encompasses healthy families, access to economic opportunity and develops community collaboration.

Contacting the Library Management

The financial report is designed to provide the citizens of Jackson County with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Ashley Wagers or the Treasurer, Lana Baker.

Jackson County Public Library
Statement of Net Position
June 30, 2018

Assets

Cash and cash equivalents	\$	358,758
Certificate of deposit		213,436
Accounts receivable		3,989
Prepaid expenses		11,200
Fixed Assets:		
Depreciable buildings, improvements, property and equipment, net of depreciation		921,380
Land		43,000
Total Fixed Assets		964,380
 Total Assets	 \$	 1,551,763

Liabilities

Accounts payable and accrued expenses	\$	4,155
Current portion of compensated absences		5,000
Long-Term Obligations:		
Compensated absences		26,508
Total Long-Term Obligations		26,508
 Total Liabilities		 35,663

Net Position

Invested in fixed assets		964,380
Unrestricted		551,720
Total Net Position		1,516,100
 Total Liabilities and Net Position	 \$	 1,551,763

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

Jackson County Public Library
Statement of Activities
For The Year Ended June 30, 2018

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
				<u>Primary Government</u>
Governmental activities				
Cultural and recreations	\$ (391,968)	2,895	-	\$ (389,073)
General Revenues:				
			Taxing district revenues	\$ 442,730
			Investment income	236
			Other Income	3,657
			<u>Total general revenues</u>	<u>446,623</u>
			Change in net position	57,550
			Net position - beginning	<u>1,458,550</u>
			Net position - ending	<u><u>\$ 1,516,100</u></u>

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

Jackson County Public Library
Balance Sheet
Governmental Fund
June 30, 2018

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 358,758
Certificate of deposit	213,436
Accounts receivable	3,989
Prepaid expenses	11,200
Total Assets	\$ 587,383
Liabilities and Fund Balances	
Liabilities	
Accounts payable and accrued expenses	\$ 4,155
Current portion of compensated absences	5,000
Total Liabilities	9,155
Fund Balances	
Nonspendable	11,200
Unassigned	567,028
Total Fund Balances	\$ 578,228
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 fund	\$ 964,380
Certain liabilities (including net bonds and notes payable, capital leases and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(26,508)
Net position of governmental activities	\$ 1,516,100

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

Jackson County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2018

	<u>Governmental Fund</u>
Revenues	
Taxing district revenues	\$ 442,730
Investment income	236
Charges for services	2,895
Other revenues	<u>3,657</u>
Total Revenue	<u>449,518</u>
Expenditures	
Current	
Personnel expenses	254,595
Library materials	28,429
Repairs and maintenance	22,385
Technology	2,218
Utilities	16,506
Insurance	7,234
Office supplies	1,002
Professional fees	6,417
Bookmobile	1,062
Staff development	659
Public relations	11,264
Library supplies	6,288
Other expenses	<u>3,689</u>
Total Current Expenditures	361,748
Operating capital outlays	<u>-</u>
Total Expenditures	<u>361,748</u>
Net change in fund balance	87,770
Fund balance - beginning	490,458
Fund balance - ending	<u><u>\$ 578,228</u></u>

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

Jackson 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, 2018

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	87,770
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay		-
Depreciation Expense		(30,220)

Governmental Funds report expenses as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded fewer expenses than the fund accounting.

		-
Change in Net Position of Governmental Activities	\$	57,550

JACKSON COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson County Public Library (the Library) was established pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Jackson County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

Basis of Presentation

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Library has only one such governmental fund that accounts for the daily operating activity of the Library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Library follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

JACKSON COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues includes those property tax receivables expected to be collected within sixty-days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library’s operating activities, an expense for capital outlays has been reported on the fund financial statements. Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and an initial, individual cost meeting the following thresholds”

Land		Any amount
Buildings	\$	75,000
Improvements		25,000
Machinery and equipment		7,500
Vehicles		5,000

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2018 was \$30,220.

Fund Balance

As of June 30, 2012, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2018 fund balances are comprised of the following:

		<u>General Fund</u>
Nonspendable	\$	11,200
Unassigned		567,028

JACKSON COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2018 was as follows:

Category 1	\$	463,436
Category 2	\$	150,018
Category 3	\$	-

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	June 30, 2017	Additions	Disposals	June 30, 2018
Land	\$ 43,000	\$ -	\$ -	\$ 43,000
Buildings and improvements	1,174,775	-	-	1,174,775
Furniture and equipment	237,128	-	-	237,128
Total at historical cost	1,454,903	-	-	1,454,903
Less: Accumulated Depreciation	(460,303)	(30,220)	-	(490,523)
Capital assets – net	\$ 994,600	\$ (30,220)	\$ -	\$ 964,380

NOTE 4 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	Compensated Absences
Payable at June 30, 2017	\$ 34,358
Net decrease in compensated absences	(7,850)
Payable at June 30, 2018	\$ 26,508

JACKSON COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2018, the liability for these absences was \$31,508 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 6 – 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. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 7 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied on October 1, 2017 on the assessed property located in Jackson County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

Vehicle taxes are collected by the County Clerk of Jackson County and are due and collected in the birth month of the vehicle’s licensee.

NOTE 8 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through June 5, 2019, the date this report became available for issuance.

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
Jackson County Public Library
McKee, 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 of Jackson County Public Library, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Jackson County Public Library's basic financial statements, and have issued our report thereon dated June 5, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2018-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County Public Library's financial statements are free from 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*.

CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
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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.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
June 5, 2019

Jackson County Public Library
Schedule of Findings and Responses
For the Year Ended June 30, 2018

FINDINGS- FINANCIAL STATEMENT AUDIT

2018-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

At present the Library does not have an individual with the required expertise for financial accounting and reporting necessary to successfully apply generally accepted accounting principles in regard to recording the entity's financial transactions and in drafting the financial statements and related disclosures.

Effect:

The Library did not have effective procedures in place to ensure that all accruals and adjustments that are needed have been appropriately recorded. Additionally, the Library's staff or contracted personnel did not collectively possess a full working knowledge of generally accepted accounting principles.

Organization Response and Corrective Action Plan:

At current the Library does not feel that it would be feasible to contract an individual with the required skill and knowledge at the cost to taxpayers. The constant board supervision will remain an integral part of the Library's interim financial statements.

We did not audit the Library's response and, accordingly, we express no opinion on it.

Jackson County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2018

Revenues	Original Budget	Enacted Budget	Actual	Favorable (Unfavorable) Balance
Taxing district revenues	\$ 385,420	\$ 385,420	\$ 442,730	\$ 57,310
Grant revenues	10,600	10,600	-	(10,600)
Investment income	138	138	236	98
Charges for services	3,000	3,000	2,895	(105)
Other revenues	8,827	8,827	3,657	(5,170)
Total Revenue	407,985	407,985	449,518	41,533
Expenditures				
Current				
Personnel expenses	284,937	284,937	254,595	30,342
Library materials	32,435	32,435	28,429	4,006
Repairs and maintenance	4,200	4,200	22,385	(18,185)
Technology	1,800	1,800	2,218	(418)
Utilities	15,960	15,960	16,506	(546)
Insurance	10,696	10,696	7,234	3,462
Office supplies	700	700	1,002	(302)
Professional fees	9,500	9,500	6,417	3,083
Bookmobile	4,000	4,000	1,062	2,938
Staff development	1,000	1,000	659	341
Public relations	1,200	1,200	11,264	(10,064)
Library supplies	4,562	4,562	6,288	(1,726)
Other expenses	4,010	4,010	3,689	321
Total Current Expenditures	375,000	375,000	361,748	13,252
Operating capital outlays	32,985	32,985	-	32,985
Total Expenditures	407,985	407,985	361,748	46,237
Net change in fund balance			87,770	
Fund balance - beginning			490,458	
Fund balance - ending			<u>\$ 578,228</u>	

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