

**HOPKINS COUNTY-MADISONVILLE
PUBLIC LIBRARY**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2019**

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Michael L. Overby, CPA, PLLC

Certified Public Accountant

2201 Westerfield Drive, Suite C

Providence, KY 42450

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hopkins County-Madisonville Public Library
Madisonville, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins County-Madisonville Public Library as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hopkins County-Madisonville Public Library, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management Discussion and Analysis and Budgetary Comparison information, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 8, 2020, on my consideration of the Hopkins County-Madisonville Public Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins County-Madisonville Public Library's internal control over financial reporting and compliance.



Providence, Kentucky
June 8, 2020

Hopkins County-Madisonville Public Library
Statement of Net Assets
June 30, 2019

	<u>Primary Government Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 435,731
Total Current Assets	<u>435,731</u>
Noncurrent Assets	
Restricted Cash	276,688
Capital Assets, Net of Accumulated Depreciation	<u>1,709,773</u>
Total Noncurrent Assets	<u>1,986,461</u>
Total Assets	<u>2,422,192</u>
Liabilities	
Current Liabilities	
Accounts Payable	12,901
Payroll Liabilities	(530)
Current Portion of Noncurrent Liabilities	<u>35,000</u>
Total Current Liabilities	<u>47,371</u>
Noncurrent Liabilities	
Notes Payable-City of Madisonville	9,694
Notes Payable-Hopkins County Fiscal Court	<u>350,000</u>
Total Noncurrent Liabilities	<u>359,694</u>
Total Liabilities	<u>407,065</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,315,079
Restricted for Special Purposes	8,345
Unrestricted	<u>691,703</u>
Total Net Assets	<u><u>\$ 2,015,127</u></u>

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

Hopkins County - Madisonville Public Library
Statement of Activities
For the year ended June 30, 2019

					Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Government Activities:					
General Government	\$ (491,270)	\$ 40,479	\$ 546,725	\$ -	\$ 95,934
Depreciation	(96,734)	-	-	-	(96,734)
Interest	(5,623)	-	-	-	(5,623)
Total Governmental Activities	(593,627)	40,479	546,725	-	(6,423)
Total Primary Government	<u>\$ (593,627)</u>	<u>\$ 40,479</u>	<u>\$ 546,725</u>	<u>\$ -</u>	<u>(6,423)</u>
General Revenues:					
			Interest Income		10,098
			Total General Revenues		10,098
			Change in Net Assets		3,675
			Net Assets, Beginning		2,011,452
			Net Assets, Ending		<u>\$ 2,015,127</u>

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

Hopkins County - Madisonville Public Library
Balance Sheet
Governmental Fund
June 30, 2019

	Total Governmental Fund
Assets	
Cash and Cash Equivalents	\$ 435,731
Restricted Cash	<u>276,688</u>
Total Assets	<u><u>\$ 712,419</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$ 12,901
Payroll Liabilities	<u>(530)</u>
Total Liabilities	<u>12,371</u>
Fund Balances	
Nonspendable	-
Restricted for Special Purposes	276,688
Committed	-
Assigned	-
Unassigned	<u>423,360</u>
Total Fund Balances	<u>700,048</u>
Total Liabilities and Fund Balances	<u><u>\$ 712,419</u></u>

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

Hopkins County - Madisonville Public Library
Reconciliation of the Balance Sheet - Governmental Fund
To the Statement of Net Assets
June 30, 2019

Total Fund Balances - Governmental Fund	\$ 700,048
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	1,709,773
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet.	<u>(394,694)</u>
Net Assets of Governmental Activities	<u><u>\$ 2,015,127</u></u>

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

Hopkins County - Madisonville Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

Revenues

Governmental

City of Madisonville	\$ 210,000
City of Dawson Springs	33,000
County of Hopkins	236,000
State of Kentucky - State Aid	<u>24,633</u>

Total Governmental	<u>503,633</u>
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Other Income

Bequests	34,781
Donations	5,756
Interest Income	10,098
Rent Income	1,795
Programs Income	710
Self Generating Income	10,948
Postage Income	8
Other Income	<u>29,573</u>

Total Other Income	<u>93,669</u>
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Total Revenues	<u>597,302</u>
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Expenditures

General Government	491,270
Capital Outlay	83,416
Debt Service-Principal	35,000
Interest	<u>5,623</u>

Total Expenditures	<u>615,309</u>
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Excess (Deficiency) of Revenues over (under) Expenditures	<u>(18,007)</u>
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Net Change in Fund Balance	(18,007)
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Fund Balance, July 1, 2018	<u>718,055</u>
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Fund Balance, June 30, 2019	<u><u>\$ 700,048</u></u>
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The accompanying notes are an integral part of these financial statements.

Hopkins County - Madisonville Public Library
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balance of Governmental Fund to the
Statement of Activities
For the year ended June 30, 2019

Net change in Fund Balance - Governmental Fund	\$ (18,007)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However in the Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense that exceed capital asset additions for the current period.	(13,318)
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Government funds report debt repayment as expenditures. However in the government-wide statement of activities and changes in net assets, the repayment of that debt is a reduction of the total long-term liabilities. This is the amount of long-term repayments exceeded the long-term liability additions during the current year.	<u>35,000</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 3,675</u></u>
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The accompanying notes are an integral part of these financial statements.

Hopkins County-Madisonville Public Library
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Hopkins County – Madisonville Public Library (“The Library”) is a city-county library supported with funds derived from an inter-local agreement between the City of Madisonville and the Hopkins County governments and state funding based on a KDLA formula; as does every library in Kentucky. The Library also receives memorial contributions, monetary donations and other miscellaneous forms of income. The library is operated by a District Board comprised of members appointed by the County Judge Executive and the City of Madisonville mayor, both publicly elected officials, and they have the decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters of the library is authorized under Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. The library is located in Madisonville, Kentucky, with a Branch Library located in Dawson Springs, Kentucky and serves the Hopkins County – Madisonville, Kentucky area.

Hopkins County – Madisonville Public Library Corporation was established in 1984 to buy property.

B. Basis of Presentation

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

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

Fund Financial Statements:

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

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

The General Fund is the main operating fund of the Library. This fund is used to account for all financial resources. All general receipts that are not restricted by law or contractual agreement to

Hopkins County-Madisonville Public Library
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2019

some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are paid from the General Fund.

C. Measurement Focus/Basis of Accounting

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

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

D. Cash and Investments

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

E. Government-Wide Net Assets

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

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

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

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

Fund Financial Statements:

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

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

Hopkins County-Madisonville Public Library
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2019

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

F. Income Taxes

The Hopkins County-Madisonville Public Library is exempt from federal income taxes under section 501 (c)(3) of the Internal Revenue Code and, therefore, has not made any provisions for federal income taxes in the accompanying financial statements.

G. Estimates

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

H. Capital Assets

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

Note 2. Deposits and Investments

State statute requires that all deposits and investments in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Kentucky or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Library's deposits were fully insured or collateralized as required by state statutes at June 30, 2019.

Hopkins County-Madisonville Public Library
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2019

Changes during the fiscal year 2019 and balances as of June 30, 2019, including the current portions, of the library are as follows:

	Balance 06/30/18	Additions	Retire- ments	Balance 06/30/19	Due Within One Year
Governmental Activities					
City of Madisonville, KY	\$ 29,694	\$ -	\$ 10,000	\$ 19,694	\$ 10,000
Hopkins Co. Fiscal Court	<u>400,000</u>	<u>-</u>	<u>25,000</u>	<u>375,000</u>	<u>25,000</u>
Total	<u>\$ 429,694</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 394,694</u>	<u>\$ 35,000</u>

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

SUPPLEMENTARY INFORMATION

Hopkins County - Madisonville Public Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
City of Madisonville	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
City of Dawson Springs	33,000	33,000	33,000	-
County of Hopkins	236,000	236,000	236,000	-
State of Kentucky	21,900	21,900	24,633	2,733
E-rate (Federal)	30,385	-	-	-
Other Income/Donations/Bequests	28,000	28,000	34,781	6,781
Donations	2,200	2,400	5,756	3,356
Interest Income	3,100	3,980	10,098	6,118
Rent Income	1,500	1,700	1,795	95
Programs Income	1,000	1,045	710	(335)
Self Generating Income	10,000	10,100	10,948	848
Postage Income	25	25	8	(17)
Other Income	11,784	11,989	29,573	17,584
Total Revenues	588,894	560,139	597,302	37,163
Expenditures				
Current:				
General Government	589,265	566,189	491,270	74,919
Capital Outlay	21,800	44,300	83,416	(39,116)
Debt Service	40,845	41,000	40,623	377
Total Expenditures	651,910	651,489	615,309	36,180
Net Change in Fund Balance	(63,016)	(91,350)	(18,007)	73,343
Fund Balance, Beginning	63,016	91,350	718,055	626,705
Fund Balance, Ending	\$ -	\$ -	\$ 700,048	\$ 700,048

Hopkins County - Madisonville Public Library
Statement of Expenditures
For the year ended June 30, 2019

Personnel

Library Staff	\$ 248,321
Payroll Taxes	18,283
Medical Insurance	18,621
KACO Unemployment	4,165
Retirement	<u>5,633</u>

Total Personnel	<u>295,023</u>
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Materials

Periodicals	1,413
Electronic Database	<u>11,515</u>

Total Materials	<u>12,928</u>
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Bookmobile

Bookmobile Fuel and Oil	<u>2,023</u>
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Total Bookmobile	<u>2,023</u>
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Hopkins County - Madisonville Public Library
Statement of Expenditures(Continued)
For the year ended June 30, 2019

Library Operations

Building Maintenance and Repairs	6,382
Cleaning Service - Special	17,074
Utilities	42,843
Insurance - Library	3,501
Public Relations - Advertising	5,770
Legal and Accounting	12,500
Education and Travel	5,636
Professional Fees and Dues	670
Board Expenses	164
Adult Programming	6,770
Office Supplies	9,039
Building Rent	26,941
Child Programming	9,744
Miscellaneous	19,579
Service Agreements	14,683

Total Library Operations	<u>181,296</u>
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Total General Government Expenditures	<u><u>\$ 491,270</u></u>
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Michael L. Overby, CPA, PLLC

Certified Public Accountant

2201 Westerfield Drive, Suite C

Providence, KY 42450

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Hopkins County-Madisonville Public Library

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County-Madisonville Public Library, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hopkins County-Madisonville Public Library's basic financial statements, and have issued my report thereon dated June 8, 2020.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Kentucky
June 8, 2020

**Hopkins County - Madisonville Public Library
Board of Trustees and Other Administrative Personnel
June 30, 2019**

Board of Trustees		Term Expires
Tara Edwards	President	September, 2021
Liz Schweizer	Vice President	September, 2021
Donna Travis	Secretary	December, 2019
Allen Davis	Treasurer	December, 2019
Jonathon Storm	Member	August, 2020
Other Administrative Personnel		
Joel Meador	Director	
Angel Killough	Asst. Director/Branch Librarian	
Sharon Gibbs	Adult Collection Manager/ Development Coordinator/Adm Asst	