

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of the Hopkins County-Madisonville Public Library, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hopkins County-Madisonville Public Library's basic financial statements as listed in the table of contents.

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 Hopkins County-Madisonville Public Library, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hopkins County-Madisonville Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hopkins County-Madisonville Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hopkins County-Madisonville Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hopkins County-Madisonville Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 30, 2023, on our consideration of the Hopkins County-Madisonville 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 solely 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 the effectiveness of the Hopkins County-Madisonville Public Library's 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.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Henderson, Kentucky
June 30, 2023

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2022

	Operating Fund	Adjustments	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 474,537	\$ -	\$ 474,537
Restricted cash and cash equivalents	84,168	-	84,168
Certificates of deposit	143,604	-	143,604
Investments	401,920	-	401,920
Prepaid expenses	-	7,982	7,982
Capital assets, net of accumulated depreciation	-	1,675,525	1,675,525
Total assets	<u>\$1,104,229</u>	<u>\$ 1,683,507</u>	<u>\$ 2,787,736</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 9,683	\$ -	\$ 9,683
Accrued liabilities	10,984	-	10,984
Long-term liabilities:			
Due in one year	-	25,000	25,000
Due in more than one year	-	300,000	300,000
Total liabilities	<u>20,667</u>	<u>325,000</u>	<u>345,667</u>
<u>FUND BALANCES/NET POSITION</u>			
Fund balances:			
Restricted - renovation	8,347	(8,347)	-
Restricted - resources	75,821	(75,821)	-
Committed - cash reserve	165,000	(165,000)	-
Committed - bookmobile/transportation	1,772	(1,772)	-
Committed - technology/computer replacement	38,000	(38,000)	-
Committed - building and grounds	15,000	(15,000)	-
Committed - Dawson Springs branch	157,691	(157,691)	-
Unassigned	621,931	(621,931)	-
Total fund balances	<u>1,083,562</u>	<u>(1,083,562)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$1,104,229</u>		
Net Position:			
Net investment in capital assets		1,350,525	1,350,525
Restricted for special purposes		84,168	84,168
Unrestricted		1,007,376	1,007,376
Total Net Position		<u>\$ 2,442,069</u>	<u>\$ 2,442,069</u>

See accompanying notes to financial statements.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position

June 30, 2022

Total fund balance - total government fund	\$1,083,562
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Prepaid expenses are reported as expenditures in the year paid and are not reported in the governmental funds balance sheet.	7,982
Capital assets of \$2,932,171, net of accumulated depreciation of (\$1,256,646), are not financial resources and, therefore, are not reported in the funds.	1,675,525
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(325,000)</u>
Net position of governmental activities	<u>\$2,442,069</u>

See accompanying notes to financial statements.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	Operating Fund	Adjustments	Statement of Activities
Revenues:			
Intergovernmental	\$ 483,000	\$ -	\$ 483,000
Grants	6,909	-	6,909
Donations	11,505	-	11,505
Rent	100	-	100
Self-generating	3,249	-	3,249
Fundraising	20,885	-	20,885
Gain (loss) on disposal	-	(2,025)	(2,025)
Investment income	20,344	-	20,344
Realized gain (loss) on investments	9,592	-	9,592
Unrealized gain (loss) on investments	(74,799)	-	(74,799)
Miscellaneous and other	42,468	-	42,468
Total revenues	<u>523,253</u>	<u>(2,025)</u>	<u>521,228</u>
Expenditures:			
Current:			
Personnel	274,246	-	274,246
Materials and programming	46,942	-	46,942
Operating expenses:			
Library	145,547	(5,137)	140,410
Depreciation	-	94,754	94,754
Capital outlay	132,809	(132,809)	-
Debt service:			
Principal	25,000	(25,000)	-
Interest	3,697	-	3,697
Total expenditures	<u>628,241</u>	<u>(68,192)</u>	<u>560,049</u>
Excess (deficiency) of revenues over (under) expenditures	(104,988)	104,988	-
Change in net position	-	(38,821)	(38,821)
Fund balances/net position:			
Beginning of year	<u>1,188,550</u>	<u>1,292,340</u>	<u>2,480,890</u>
End of year	<u>\$1,083,562</u>	<u>\$1,358,507</u>	<u>\$2,442,069</u>

See accompanying notes to financial statements.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities

Year Ended June 30, 2022

Net change in fund balances - total government fund	\$(104,988)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the principal repayment in the current year.	25,000
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays of \$132,809 were less than depreciation of (\$94,754) in the current period.	38,055
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In the statement of activities, the loss on sale or disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of net assets of \$2,051,623, net of accumulated depreciation of (\$2,049,598).	(2,025)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the net increase in prepaid expenses of \$5,137 during the current year.	<u>5,137</u>
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Change in net position of governmental activities	<u>\$ (38,821)</u>
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HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hopkins County-Madisonville Public Library (Library) prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent subsections of this Note.

The Library is a special district operating under the applicable laws and regulations of Kentucky Revised Statutes and constitutes a governmental subdivision of the Commonwealth of Kentucky. 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 Kentucky Department of Libraries and Archives formula. 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, and the ability to significantly influence operations and are primarily accountable for fiscal matters of the library. The accounting policies of the Library conform to GAAP as applicable to governmental entities. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements of the Library comprise a single governmental activity generally financed through intergovernmental revenues. In evaluating how to define the Library for financial reporting purposes, management has considered any potential component units, based upon the Library's ability to exercise significant oversight responsibility. Oversight responsibility was determined based on the Library's ability to significantly influence operations, select the governing body, participate in fiscal management, and the scope of public service. Based upon the application of these criteria, no potential component units were noted.

B. Basis of Presentation

The Statement of Net Position and Statement of Activities have been combined with the fund financial statements as allowed according to paragraph 136 of GASB 34, because this entity is a separate single governmental program. The basic financial statements illustrate the governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues.

The Library reports the following major governmental funds:

The Operating (General) Fund is the primary fund of the Library. This fund is used to account for all financial resources not reported in other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus – on the combined government-wide and fund financial statements, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, and financial position.

Basis of Accounting – in the combined government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using 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 used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Assets, Liabilities, and Net Position

Fixed Assets – in the government-wide financial statements, fixed assets are accounted for as capital assets.

All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation on all exhaustible assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15-40 years
Equipment and fixtures	5-10 years
Library collections	5 years

Long-Term Debt – in the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

E. Investments

Investments are recorded at fair market value based on quoted market prices. Any gains or losses are reflected in the statement of activities and government fund revenues, expenses and changes in fund balance, in accordance with GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

F. Budgetary Data

The Board of Trustees of the Library follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets for all funds are prepared on cash basis. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year the applicable payment is expected.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Government-wide Net Position

Government-wide fund net position are divided into three components:

Invested in capital assets, net of related debt – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted – consists of fund net position that is restricted by the Library's creditors (for example through debt covenants), by the state enabling legislation (through restriction on shared revenue), by grantors (both federal and state), and by other contributors.

Unrestricted – all other fund net position is reported in this category.

H. Governmental Fund Balances

Governmental 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.

Spendable – amounts in spendable form that are available for spending:

Restricted – amounts that can be spent only for specific purposes because of state or federal laws, or because of externally imposed conditions by grantors or creditors.

Committed – amounts can only be used for specific purposes determined by a formal action by the Board of Trustees.

Assigned – amounts that are designated for a particular purpose by the Board of Trustees or by an official to which the Board of Trustees delegates the authority.

Unassigned – amounts that are available for any purpose.

I. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balance before using unassigned fund balance.

J. Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through June 30, 2023, the date that the financial statements were available to be issued.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS

Kentucky Revised Statutes authorize special Libraries to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loans associates insured by federal agencies, and deposits in national or state-chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

At June 30, 2022, the carrying amount of the Library's demand and time deposits were \$702,309 and the bank balance was \$720,883. As of June 30, 2022, the Library's demand and time deposits were fully secured by federal depository insurance or by pledged collateral held by the custodial institutions.

Certificates of deposit at June 30, 2022 consisted of the following:

	<u>Yield</u>	<u>Maturity</u>	<u>Amount</u>
Planters Bank – Dawson Bequest CD	0.50%	4/15/2023	\$143,604

Investments are stated at fair market value and consisted of the following at June 30, 2022:

	<u>Fair Market Value</u>
Ameriprise Financial	\$ 1,777
US Bancorp Wealth Management	400,143
Total investments	<u>\$ 401,920</u>

NOTE 3 – FAIR VALUE MEASUREMENT

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 3 – FAIR VALUE MEASUREMENT, CONTINUED

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The following table presents the fair value measurements of assets recognized in the accompanying statement of net position at fair value on a recurring basis and the level within the fair value measurements at June 30, 2022:

	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Ameriprise Financial	\$ 1,777	\$ 1,777	\$ ---	\$ ---
US Bancorp Wealth Management	400,143	400,143	---	---
	<u>\$ 401,920</u>	<u>\$ 401,920</u>	<u>\$ ---</u>	<u>\$ ---</u>

NOTE 4 – CAPITAL ASSETS

A summary of the changes in capital assets follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Building	\$1,307,755	\$ 10,649	\$ ---	\$1,318,404
Shelving	172,184	---	(76,613)	95,571
Vehicles	28,114	---	---	28,114
Furnishings	68,742	---	(40,416)	28,326
Electronic, audio visual	115,098	---	(14,400)	100,698
Library materials	2,761,689	37,056	(1,633,400)	1,165,345
Equipment	397,404	20,036	(286,794)	130,646
Construction in progress	---	65,067	---	65,067
Total assets	4,850,986	132,808	(2,051,623)	2,932,171
Less accumulated depreciation	3,211,490	94,754	(2,049,598)	1,256,646
Capital assets, net	<u>\$1,639,496</u>	<u>\$ 38,054</u>	<u>\$ (2,025)</u>	<u>\$1,675,525</u>

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

NOTE 5 – LEASE OBLIGATIONS

On September 1, 2013, the Hopkins County-Madisonville Public Library entered into a ten year lease agreement with the Public Library Development Foundation, Inc. for the purchase of real estate at 425 East Center Street, Madisonville, KY, owned by Thomas and Donna Edwards. The monthly rental payments in the amount of \$2,199 are paid to the Library Foundation for the retirement of the original debt on this purchase. Once the Foundation's indebtedness to the Edwards has been paid in full, the property will be transferred to the Library and recorded as a capital asset. During the current year, the Library recognized lease expense of \$26,506. The following is a schedule, by year, of future minimum lease payments under the operating leases with greater than one-year terms as of June 30, 2022:

2024	\$ 26,384
2025	<u>4,397</u>
Total Minimum Lease Payments	<u>\$ 30,781</u>

NOTE 6 – LONG-TERM OBLIGATIONS

In January 2014, the Library borrowed \$500,000 from the Hopkins County Fiscal Court for their renovation project of 425 East Center Street building. This agreement requires the Library to repay this amount over a period of twenty years with an annual principal payment of \$25,000 plus a fixed interest rate of 1.75%.

The following is a summary of changes in long-term obligations for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Payments	Balance June 30, 2022	Due within one year
Governmental Activities					
Hopkins Co. Fiscal Court	\$ 350,000	\$ ---	\$ (25,000)	\$ 325,000	\$ 25,000
Total long-term liabilities	<u>\$ 350,000</u>	<u>\$ ---</u>	<u>\$ (25,000)</u>	<u>\$ 325,000</u>	<u>\$ 25,000</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

It is the Library's policy that no accumulated unpaid vacation time is paid out to employees upon termination. However, their policy does state they may petition the board to be paid out for their accumulated unpaid vacation time. Management has chosen only to disclose the contingent liability and therefore no accrual was reported in the government-wide financial statements. The amount of the potential liability for the year ending June 30, 2022, is \$14,189.

NOTE 8 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Library purchases commercial insurance for all risks of loss. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 483,000	\$ 483,000	\$ 483,000	\$ -
Grants	-	3,000	6,909	3,909
Bequests	28,000	1,900	-	(1,900)
Donations	5,500	10,000	11,505	1,505
Rent	1,500	1,500	100	(1,400)
Self-generating	6,000	4,000	3,249	(751)
Fundraising	6,000	20,000	20,885	885
Investment income	8,800	20,800	20,344	(456)
Realized gain (loss) on investment	-	-	9,592	9,592
Unrealized gain (loss) on investment	-	-	(74,799)	(74,799)
Miscellaneous and other	1,885	35,600	42,468	6,868
Total revenues	<u>540,685</u>	<u>579,800</u>	<u>523,253</u>	<u>(56,547)</u>
Expenditures:				
Current:				
Personnel	288,633	288,633	274,246	14,387
Materials and programming	92,556	102,166	46,942	55,224
Operating expenses:				
Library	139,254	210,484	145,547	64,937
Capital outlay	-	19,000	132,809	(113,809)
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	4,115	4,115	3,697	418
Total expenditures	<u>549,558</u>	<u>649,398</u>	<u>628,241</u>	<u>21,157</u>
Excess (deficiency) of revenues over (under) expenditures	(8,873)	(69,598)	(104,988)	<u>\$ (35,390)</u>
Fund balances, beginning of year	<u>8,873</u>	<u>69,598</u>	<u>1,188,550</u>	
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,083,562</u>	

See accompanying notes to financial statements.

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
Hopkins County-Madisonville Public Library

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 Hopkins County-Madisonville Public Library, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hopkins County-Madisonville Public Library's basic financial statements and have issued our report thereon dated June 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hopkins County-Madisonville Public Library's internal control over financial reporting (internal control) as a basis for designing 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 Hopkins County-Madisonville Public Library's internal control. Accordingly, we 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.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item [2022-01] that we consider to be a material weakness.

Report on 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, 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 financial statements. 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*.

Hopkins County-Madisonville Public Library's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hopkins County-Madisonville Public Library's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hopkins County-Madisonville Public Library's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Henderson, Kentucky
June 30, 2023

HOPKINS COUNTY-MADISONVILLE PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2022

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-01

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust in employees is necessitated. Ideally, each key step of an accounting system should be segregated among employees. However, this is not always feasible due to the cost versus benefit relationship inherent in providing internal control. In the process of segregating functions among employees, management must continually make decisions relating to the applicable costs in comparison to the expected benefits to be achieved.

Deficiency: The Library has a lack of segregation of duties involving key steps in the accounting system between employees.

Criteria: Internal controls should be in place that provides reasonable assurance that accounting transactions (billings, adjustments, cash receipts and disbursements) are properly recorded and authorized.

Effect: Because of a lack of segregation of duties involving key steps in the accounting system, transactions may occur that are not properly recorded or authorized.

Recommendation: We recommend the segregation of duties between accounting employees to the extent possible based on limited personnel.

Management Response: During the current fiscal year, the Library has been working to adjust their operations by establishing and enforcing new policies to remedy the segregation of duties finding in the next fiscal year.