

**William B. Harlan Memorial Library**

**Financial Statements**

**For the Fiscal Year Ended  
June 30, 2016**



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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
William B. Harlan Memorial Library  
Tompkinsville, Kentucky

We have audited the accompanying modified cash basis financial statements of William B. Harlan Memorial Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of William B. Harlan Memorial Library, as of June 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 and budgetary comparison information on page 16 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 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 January 9, 2017, on our consideration of the William B. Harlan Memorial 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 William B. Harlan Memorial Library's internal control over financial reporting and compliance.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
January 9, 2017

**William B. Harlan Memorial Library**  
**Management's Discussion and Analysis**  
**June 30, 2016**

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Highlights

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Percent change</u>
Operating revenues	\$ 259,460	\$ 250,641	3.52%
Operating expenses	\$ 205,718	\$ 203,156	1.26%
Fund balance	\$ 314,487	\$ 260,745	17.09%

Overview of the Financial Statements

The William B. Harlan Memorial Library is a self-supporting entity. The financial statements are presented using the modified cash basis of accounting. These financial statements are presented in accordance with GASB 34.

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances.

The statement of net position presents information on the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net position changed during the most recent fiscal year.

The Library reports only one governmental fund: the general fund.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

**William B. Harlan Memorial Library  
Management's Discussion and Analysis  
June 30, 2016**

Financial Analysis of the William B. Harlan Memorial Library:

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Assets</b>		
Cash	\$ 317,050	\$ 263,122
Capital, net	<u>55,132</u>	<u>56,694</u>
<b>Total Assets</b>	<u><b>372,182</b></u>	<u><b>319,816</b></u>
 <b>Liabilities</b>		
Payroll liabilities	<u>2,563</u>	<u>2,377</u>
<b>Total Liabilities</b>	<u><b>2,563</b></u>	<u><b>2,377</b></u>
 <b>Net Position</b>		
Invested in capital assets, net of related debt	\$ 55,132	\$ 56,694
Unrestricted	<u>314,487</u>	<u>260,745</u>
<b>Total Net Position</b>	<u><b>\$ 369,619</b></u>	<u><b>\$ 317,439</b></u>

The largest portion of the Library's net position reflects its investment in capital assets, e.g. building, equipment and vehicles, less any related debt used to acquire those assets still outstanding. The Library uses these assets to provide services to citizens and consumers.

The balance of unrestricted net position may be used to meet the Library's outgoing obligations to citizens and creditors.

	<u>6/30/2016</u>	<u>6/30/2015</u>
Revenues	\$ 259,460	\$ 250,641
Expenses	<u>207,280</u>	<u>203,156</u>
Change in net position	52,180	47,485
Beginning net position	<u>317,439</u>	<u>269,954</u>
Ending net position	<u><b>\$ 369,619</b></u>	<u><b>\$ 317,439</b></u>

For the fiscal year ended June 30, 2016, revenues were higher because of the property tax increase. The increase in expense was mainly related to an increase in salaries.

**William B. Harlan Memorial Library  
Management's Discussion and Analysis  
June 30, 2016**

Capital Assets

The Library's investment in capital assets as of June 30, 2016 amounts to \$55,132 (net of accumulated depreciation), which included building, equipment and vehicles. The Library purchased a new truck chassis and 2 transport ventilators during the year.

Budget

Actual revenues were more than budgeted mainly due to tax collections and increased customer collections.

If you have questions about this report or need additional financial information, contact William B. Harlan Memorial Library, 500 W. Fourth Street, Tompkinsville, Kentucky 42167 or by phone 270-487-5301.



**William B. Harlan Memorial Library**  
**Statement of Net Position**  
**June 30, 2016**

**Assets:**

**Current Assets**

Cash and cash equivalents	\$ 305,478
<b>Total Current Assets</b>	<u>305,478</u>

**Non-Current Assets**

Certificates of deposit	11,572
Capital Assets:	
Non-depreciable	39,000
Depreciable, net	<u>16,132</u>
<b>Total Non-Current Assets</b>	<u>66,704</u>

<b>Total Assets</b>	<u>372,182</u>
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**Liabilities:**

**Current Liabilities**

Current Liabilities	
Payroll tax payable	<u>2,563</u>
<b>Total Current Liabilities</b>	<u>2,563</u>

**Non-Current Liabilities**

<b>Total Non-Current Liabilities</b>	<u>-</u>
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<b>Total Liabilities</b>	<u>2,563</u>
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**Net Position**

Net investment in capital assets	55,132
Restricted	11,572
Unrestricted	<u>302,915</u>

<b>Total Net Position</b>	<u>\$ 369,619</u>
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The accompanying notes are an integral  
part of the financial statement.

**William B. Harlan Memorial Library  
Statement of Activities  
For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		
Government Activities					
Library operations	\$ 205,718	\$ 5,730	\$ 1,759	\$ -	\$ (198,229)
Depreciation	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,562)</u>
<b>Total Governmental Activities</b>	<u>\$ 207,280</u>	<u>\$ 5,730</u>	<u>\$ 1,759</u>	<u>\$ -</u>	<u>\$ (199,791)</u>
<b>Change in Net Position</b>					
Net (expense) revenue					<u>\$ (199,791)</u>
<b>General Revenues</b>					
Taxes					233,112
Intergovernmental					17,871
Investment income					159
Miscellaneous					<u>829</u>
<b>Total General Revenues</b>					<u>251,971</u>
<b>Change in Net Position</b>					
					52,180
<b>Net Position, Beginning, restated</b>					<u>317,439</u>
<b>Net Position, Ending</b>					<u>\$ 369,619</u>

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

**William B. Harlan Memorial Library  
Balance Sheet-Governmental Funds  
June 30, 2016**

**Assets**

Cash and cash equivalents	\$ 305,478
Investments	<u>11,572</u>
<b>Total Assets</b>	<b><u>\$ 317,050</u></b>

**Liabilities and Fund Balances**

**Liabilities:**

Accrued wages and payroll tax payable	<u>\$ 2,563</u>
<b>Total Liabilities</b>	<b><u>2,563</u></b>

**Fund Balances**

Unassigned	<u>314,487</u>
<b>Total Fund Balances</b>	<b><u>314,487</u></b>

<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 317,050</u></b>
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The accompanying notes are an integral  
part of the financial statement.

**William B. Harlan Memorial Library  
Reconciliation of the Balance Sheet-Governmental Funds  
to the Statement of Net Position  
June 30, 2016**

Amounts reported for governmental activities in the Statement of  
Net Position are different because:

Fund balances reported above	\$ 314,487
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>55,132</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 369,619</u></b>

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

**William B. Harlan Memorial Library**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance-Governmental Funds**  
**For the Year Ended June 30, 2016**

<b>Revenues</b>	
Tax Revenue	\$ 233,112
Kentucky Department of Libraries	17,871
Charges for services	5,730
Donations	1,759
Investment income	159
Other revenues	829
<b>Total Revenues</b>	<u>259,460</u>
<b>Expenditures</b>	
Wages	109,084
Payroll taxes	8,932
Advertising	979
Health insurance	20,380
Other insurance	7,012
Repairs and maintenance	4,361
Supplies	11,237
Telephone	3,224
Utilities	7,126
Library books and materials	23,801
Bookmobile operating	435
Bookmobile repairs and insurance	110
Dues and subscriptions	6,198
Tuition workshops	510
Travel	1,710
Other	619
<b>Total Cash Disbursements</b>	<u>205,718</u>
<b>Net Change in Fund Balance</b>	53,742
<b>Fund Balance, Beginning</b>	<u>260,745</u>
<b>Fund Balance, Ending</b>	<u>\$ 314,487</u>

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

**William B. Harlan Memorial Library**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balance-Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

**Net Change in Fund Balance - Total Governmental Funds** \$ 53,742

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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$0 was exceeded by depreciation of \$1,562 in the current period.

(1,562)

**Change in Net Position of Governmental Activities** \$ 52,180

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

**William B. Harlan Memorial Library**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1 - Summary of Significant Accounting Policies**

Organization

The William B. Harlan Memorial Library is the basic level of government which has financial accountability and control over all activities related to the Library. The directors have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and are primarily accountable for fiscal matters. The Library receives funding from local and state sources and must comply with the requirements of these funding source entities. The Library's operations are governed by a board of directors who are appointed and approved by the Monroe County Fiscal Court.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Both the entity-wide financial statements and the governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are also recorded in the financial statements.

Budget

The budget is adopted on the cash basis of accounting. The Board of Directors approves the original budget and any budget amendments.

Estimates

The preparation of the basic financial statements in conformity with modified cash basis of 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Position

Net position classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
  
- *Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
  
- *Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**William B. Harlan Memorial Library**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1- Summary of Significant Accounting Policies (Continued)**

Fund Balance Classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the other resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the board of directors. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Library's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the board of directors or through the board of directors delegating this responsibility to management through the budgetary process.
- Unassigned: This classification includes the residual fund balance. The Unassigned Classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. At June 30, 2016 all resources of the Library were classified as unassigned.

The Library would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.



**William B. Harlan Memorial Library**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

Capital Assets

Building, improvements, equipment, and vehicles are recorded at cost net of accumulated depreciation in the entity wide financial statements. Expenditures for major renewals and betterments that extend the useful lives of capital assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets acquired by gift or contribution are recorded at fair market value at the time of bequest or receipt.

Capital assets of the Library are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Equipment	7-10 years
Vehicles	5-7 years

Reclassification

Certain amounts in the 2015 financial statements were reclassified to conform to the 2016 presentation.

**Note 2 - Concentrations of Credit Risk**

Deposits

At year end, the carrying amount of the City's cash deposits were \$305,478 and the bank balance was \$309,870. The difference between book and bank balances primarily represents checks that have been issued, but have not cleared the bank as of June 30, 2016. Of the total funds, \$250,000 were insured by Federal Depository Insurance Company or pledged securities at the bank. \$59,870 of the City's deposits were uninsured at June 30, 2016.

Interest Rate Risk: The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Currently, the Library has one certificate of deposit in the amount of \$11,572 with an interest rate of .35%.

**Note 3 – Deferred Inflows/Outflows of Resources**

The Library adopted GASB No. 63 and in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense) until then. The Library has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Library has no items that qualify for reporting in this category.

**William B. Harlan Memorial Library**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 4 – Capital Assets**

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

	Beginning Balance 6/30/2015	Increases	Decreases	Ending Balance 6/30/2016
Capital Assets, not being depreciated:				
Land	\$ 39,000	\$ -	\$ -	\$ 39,000
Total capital assets, not being depreciated	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,000,000	-	-	1,000,000
Furniture, Equipment, & Machinery	19,848	-	-	19,848
Total capital assets, being depreciated	<u>1,019,848</u>	<u>-</u>	<u>-</u>	<u>1,019,848</u>
Less accumulated depreciation for:				
Buildings & Improvements	1,000,000	-	-	1,000,000
Furniture, Equipment, & Machinery	2,154	1,562	-	3,716
Total accumulated depreciation	<u>1,002,154</u>	<u>1,562</u>	<u>-</u>	<u>1,003,716</u>
Total capital assets, being depreciated, net	<u>17,694</u>			<u>16,132</u>
Capital assets, net	<u>\$ 56,694</u>			<u>\$ 55,132</u>

**Note 5 – Subsequent Event**

Management has evaluated subsequent events through January 9, 2017, the date which the financial statements were available to be issued.

**Note 6 – Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 15 and are due and payable at that time. All unpaid taxes levied January 1, become delinquent in the following year. The ad valorem tax for fiscal year 2016 was \$.058 per \$100 assessed valuation for real property, \$.061 per \$100 assessed valuation for tangible property, and \$.023 per \$100 assessed valuation for motor vehicles.

**Note 7 – Restatement**

Net position at the beginning of 2015 has been adjusted for a change in accounting principle from cash basis to modified cash basis, which requires presentation of capital assets and long term debt.

Net Position as previously reported	\$ 263,082
Capitalization of fixed assets	56,694
Payroll taxes payable	<u>(2,337)</u>
Net position as restated	<u>\$ 317,439</u>

**Required Supplementary Information**

**William B. Harlan Memorial Library**  
**Statement of Revenues, Expenses, and Changes in Fund Balance, Budget and Actual**  
**For the Year Ended June 30, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Tax revenue	\$ 200,000	\$ 200,000	\$ 233,112	\$ 33,112
Intergovernmental revenue	9,000	9,000	17,871	8,871
Charges for services	3,000	3,000	5,730	2,730
Contributions	650	650	1,759	1,109
Investment income	100	100	159	59
Other revenues	50	50	829	779
<b>Total Revenue</b>	<u>212,800</u>	<u>212,800</u>	<u>259,460</u>	<u>46,660</u>
<b>Expenditures</b>				
Wages	105,179	105,179	109,084	(3,905)
Payroll taxes	8,746	8,746	8,932	(186)
Advertising	600	600	979	(379)
Health insurance	22,000	22,000	20,380	1,620
Other insurance	7,200	7,200	7,012	188
Repairs and maintenance	11,000	11,000	4,361	6,639
Supplies	17,600	17,600	11,237	6,363
Telephone	4,400	4,400	3,224	1,176
Utilities	10,000	10,000	7,126	2,874
Library books and materials	34,500	34,500	23,801	10,699
Bookmobile operating	1,500	1,500	435	1,065
Bookmobile repairs and insurance	1,500	1,500	110	1,390
Dues and subscriptions	1,250	1,250	6,198	(4,948)
Tuition workshops	697	697	510	187
Travel	3,000	3,000	1,710	1,290
Capital outlay	243,122	243,122	-	243,122
Other	3,628	3,628	619	3,009
<b>Total Expenditures</b>	<u>475,922</u>	<u>475,922</u>	<u>205,718</u>	<u>270,204</u>
<b>Net Change In Fund Balance</b>	(263,122)	(263,122)	53,742	316,864
<b>Fund Balance, Beginning, restated</b>	<u>260,745</u>	<u>260,745</u>	<u>260,745</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ (2,377)</u>	<u>\$ (2,377)</u>	<u>\$ 314,487</u>	<u>\$ 316,864</u>



INDEPENDENT AUDITORS' 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 Directors  
William B. Harlan Memorial Library  
Tompkinsville, 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 William B. Harlan Memorial Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the William B. Harlan Memorial Library's basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered William B. Harlan Memorial 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 William B. Harlan Memorial Library's internal control. Accordingly, we do not express an opinion on the effectiveness of William B. Harlan Memorial 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether William B. Harlan Memorial 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*.

## **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.

*Campbell, Myers, and Rutledge, PLLC*

Glasgow, Kentucky  
January 9, 2017

