

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2019

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# Marr, Miller & Myers, PSC

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## INDEPENDENT AUDITOR'S REPORT

September 24, 2019

To the Board of Trustees  
Corbin Public Library District  
Corbin, Kentucky

We have audited the accompanying cash basis financial statements of the governmental activities of the Corbin Public Library District (the "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 the cash basis of accounting described in Note 1; this includes determining that the 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 U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis, of the governmental activities of the Corbin Public Library District, as of June 30, 2019, and the respective changes in financial position – cash basis, for the year then ended in accordance with the cash basis of accounting as 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 cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to that matter.

## **Other Matters**

### **Required Supplementary Information**

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and budgetary comparison information on pages 4-7 and 23, respectively, 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 U.S. generally accepted auditing standards, 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.

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, on our consideration of the Corbin Public Library District'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 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 the Library's internal control over financial reporting and compliance.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2019

As the Board of the Corbin Public Library District (the "Library"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents for the Library was \$1,002,799. This is a current year increase of \$566,687.
- The General Fund had \$693,252 in revenues, which primarily consisted of property taxes and KBC construction draws. There were \$520,372 in General Fund expenditures.
- Governmental capital assets, net, had an overall increase of \$212,577 in the current year.
- Construction in progress in the amount of \$285,912 has been recorded in the current year for various costs associated with the Annex building.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Position-Cash Basis presents information on all of 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-Cash Basis presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Library that are principally supported by property tax (governmental activities). The governmental activities of the Library are to provide library services in the area.

The government-wide financial statements can be found on pages 8 and 9 of this report.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2019

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library only has governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 22 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of the Library's financial position. In the case of the Library, assets exceeded liabilities by \$731,428 as of June 30, 2019.

The largest portion of the Library's net position is cash of \$1,002,799 and capital assets, net of depreciation, of \$1,060,640.

The Library's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the period ending June 30, 2019**

Fiscal year government-wide net position is as follows:

|  |                     |
|--|---------------------|
|  | 2019                |
| Current assets                             | \$ 1,002,799        |
| Noncurrent assets                          | 1,060,640           |
| Other assets                               | 29,045              |
| Total Assets                               | <u>\$ 2,092,484</u> |
| Current liabilities                        | \$ 45,344           |
| Noncurrent liabilities                     | 1,315,712           |
| Total Liabilities                          | <u>\$ 1,361,056</u> |
| Net position                               |                     |
| Net investment in capital assets (deficit) | \$ (299,360)        |
| Restricted                                 | 408,494             |
| Unrestricted                               | 622,294             |
| Total Net Position                         | <u>\$ 731,428</u>   |

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2019

**BUDGETARY HIGHLIGHTS**

The Library adopted an original budget for 2019; no amendments were made during the fiscal year. The Library ended the year with a fund balance that was \$172,880 more than what was budgeted.

- The Library's total revenues for the fiscal year ended June 30, 2019 were \$693,252.
- The general fund budget compared to actual revenues varied slightly from line item to line item with the ending actual balance being \$383,252 more than budget or 123.63%. This is due to increases in property tax collections and KBC construction draws.
- The total cost of all general fund programs and services was \$520,372.
- General fund budgeted expenditures to actual varied slightly from line item to line item with the ending actual expenditures being \$210,372 more than budget or 67.86%. This is primarily due to capital assets and equipment purchases that were not budgeted.

**REVENUES AND EXPENDITURES SUMMARY**

The following table presents a summary of revenues and expenditures for the year ended June 30, 2019.

|                                      | <u>Amount</u>  | <u>Percent</u> |
|--------------------------------------|----------------|----------------|
| <b>REVENUES</b>                      |                |                |
| KBC construction draw                | \$ 313,837     | 45.27 %        |
| Property taxes                       | 289,948        | 41.83          |
| City of Corbin – mortgage assistance | 37,000         | 5.34           |
| Contributions                        | 12,575         | 1.82           |
| Interest                             | 1,202          | .17            |
| State and local grants               | 10,836         | 1.56           |
| Library fees                         | 15,349         | 2.21           |
| Other                                | 12,505         | 1.80           |
| Total revenues                       | <u>693,252</u> | <u>100.00</u>  |
| <b>EXPENDITURES</b>                  |                |                |
| Payroll, related taxes and benefits  | 162,513        | 23.44          |
| Programming                          | 2,663          | .38            |
| Collection development               | 11,681         | 1.68           |
| Utilities                            | 14,601         | 2.11           |
| Debt service                         | -              | -              |
| Insurance                            | 8,500          | 1.23           |
| Internet/webpage/phone               | 6,408          | .92            |
| Building and grounds/Annex           | 293,215        | 42.30          |
| Software and technology              | 14,066         | 2.03           |
| Office supplies                      | 238            | .03            |



CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2019

|                                | <u>Amount</u>         | <u>Percent</u>     |
|--------------------------------|-----------------------|--------------------|
| Library supplies               | 3,318                 | .48                |
| Miscellaneous                  | 2,602                 | .38                |
| Dues and fees                  | <u>567</u>            | <u>.08</u>         |
| Total expenditures             | <u>520,372</u>        | <u>75.06</u>       |
| <br>Net change in fund balance | <br><u>\$ 172,880</u> | <br><u>24.94 %</u> |

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

At the end of June 30, 2019, the Library had \$2,006,486 invested in capital assets. This represents a current year net increase of \$295,845.

The following is a summary of capital assets at June 30, 2019:

|                             |                     |
|-----------------------------|---------------------|
| Land                        | \$ 100,000          |
| Buildings                   | 854,533             |
| Building improvements       | 434,438             |
| Equipment and fixtures      | 58,572              |
| Library books and materials | 243,031             |
| Construction in progress    | <u>315,912</u>      |
| Total                       | <u>\$ 2,006,486</u> |

**Debt Administration**

The Library has a bond payable to the Kentucky Bond Corporation (KBC) outstanding at June 30, 2019 in the amount of \$1,360,000. The original amount of the Series 2018B issue was \$1,370,000; principal payments in the amount of \$10,000 were paid during the fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Corbin Public Library District, 215 Roy Kidd Avenue, Corbin, Kentucky 40701.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

STATEMENT OF NET POSITION – CASH BASIS  
June 30, 2019

ASSETS

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>CURRENT ASSETS</b>                           |                                    |
| Cash and cash equivalents – unrestricted        | \$ 594,305                         |
| Cash and cash equivalents – restricted          | <u>408,494</u>                     |
| Total current assets                            | <u>1,002,799</u>                   |
| <b>NONCURRENT ASSETS</b>                        |                                    |
| Capital assets, net                             | <u>1,060,640</u>                   |
| Total noncurrent assets                         | <u>1,060,640</u>                   |
| <b>OTHER ASSETS</b>                             |                                    |
| Bond discount, net                              | <u>29,045</u>                      |
| <b>TOTAL ASSETS</b>                             | <u>2,092,484</u>                   |
| <br><u>LIABILITIES AND NET POSITION</u><br><br> |                                    |
| <b>CURRENT LIABILITIES</b>                      |                                    |
| Payroll taxes withheld                          | 1,056                              |
| KBC 2018 bond payable                           | <u>44,288</u>                      |
| Total current liabilities                       | <u>45,344</u>                      |
| <b>NONCURRENT LIABILITIES</b>                   |                                    |
| KBC 2018 bond payable                           | <u>1,315,712</u>                   |
| Total noncurrent liabilities                    | <u>1,315,712</u>                   |
| <b>TOTAL LIABILITIES</b>                        | <u>1,361,056</u>                   |
| <b>NET POSITION</b>                             |                                    |
| Net investment in capital assets (deficit)      | (299,360)                          |
| Restricted                                      | 408,494                            |
| Unrestricted                                    | <u>622,294</u>                     |
| <b>TOTAL NET POSITION</b>                       | <u>\$ 731,428</u>                  |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

STATEMENT OF ACTIVITIES – CASH BASIS  
Year Ended June 30, 2019

| <u>FUNCTIONS/PROGRAMS</u>           | <u>Expenses</u>   | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Net (Expenses)<br/>Revenues and<br/>Changes in<br/>Net Position</u> |
|-------------------------------------|-------------------|---------------------------------|---|--|
| GOVERNMENTAL ACTIVITIES:<br>Library | <u>\$ 384,106</u> | <u>\$ 15,349</u>                | <u>\$ 93,171</u>                                  | <u>\$ (275,586)</u>  |
|                                     |                   | GENERAL REVENUES:               |   |  |
|                                     |                   |                                 |   | 289,948  |
|                                     |                   |                                 |   | 11,319   |
|                                     |                   |                                 |   | <u>12,505</u>  |
|                                     |                   |                                 | Total general revenues                            | <u>313,772</u>   |
|                                     |                   |                                 | Change in net position                            | 38,186   |
|                                     |                   |                                 | Net position, July 1, 2018                        | <u>693,242</u>   |
|                                     |                   |                                 | Net position, June 30, 2019                       | <u>\$ 731,428</u>  |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

BALANCE SHEET – GOVERNMENTAL FUND – CASH BASIS  
June 30, 2019

ASSETS

|  |              |                   |
|--|--------------|-------------------|
| Cash and cash equivalents - unrestricted |              | \$ 594,305        |
|  | TOTAL ASSETS | <u>\$ 594,305</u> |

LIABILITIES AND FUND BALANCE

|                         |                                    |                   |
|-------------------------|------------------------------------|-------------------|
| Payroll taxes withheld  |                                    | \$ 1,056          |
| Unassigned fund balance |                                    | <u>593,249</u>    |
|                         | TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 594,305</u> |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND – CASH BASIS TO THE  
STATEMENT OF NET POSITION – CASH BASIS  
June 30, 2019

|   |                          |
|---|--------------------------|
| <b>Total Fund Balance – Governmental Fund</b>   | <b>\$ 593,249</b>        |
| Amounts reported for governmental activities in the statement of net position – cash basis are different because:   |                          |
| Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net position.   | 1,060,640                |
| The bond payable is reported in the statement of net position as an obligation, but is shown in the governmental activities as expenses paid when debt service payments are made.         | (1,360,000)              |
| Bond discounts, net of amortization, are not financial resources, but are reported as other assets in the statement of net position.  | 29,045                   |
| Deposits held for the bond sinking fund and with the fiscal agent are reported in the statement of net position as restricted cash and cash equivalents, but are not financial resources. | <u>408,494</u>           |
| <b>Total Net Position – Governmental Fund</b>   | <b><u>\$ 731,428</u></b> |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND – CASH BASIS  
Year Ended June 30, 2019

|                                      |                   |
|--------------------------------------|-------------------|
| REVENUES                             |                   |
| KBC construction draw                | \$ 313,837        |
| Property taxes                       | 289,948           |
| City of Corbin – mortgage assistance | 37,000            |
| Contributions                        | 12,575            |
| Interest                             | 1,202             |
| State and local grants               | 10,836            |
| Library fees                         | 15,349            |
| Other                                | 12,505            |
| Total revenues                       | <u>693,252</u>    |
| EXPENDITURES                         |                   |
| Payroll, related taxes and benefits  | 162,513           |
| Programming                          | 2,663             |
| Collection development               | 11,681            |
| Utilities                            | 14,601            |
| Debt service                         | -                 |
| Insurance                            | 8,500             |
| Internet/webpage/phone               | 6,408             |
| Building and grounds/Annex           | 293,215           |
| Software and technology              | 14,066            |
| Office supplies                      | 238               |
| Library supplies                     | 3,318             |
| Miscellaneous                        | 2,602             |
| Dues and fees                        | 567               |
| Total expenditures                   | <u>520,372</u>    |
| Net change in fund balance           | 172,880           |
| Fund balance, July 1, 2018           | <u>420,369</u>    |
| Fund balance, June 30, 2019          | <u>\$ 593,249</u> |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – GOVERNMENTAL FUND – CASH BASIS TO THE STATEMENT OF ACTIVITIES – CASH  
BASIS

Year Ended June 30, 2019

**Net Change In Fund Balance** **\$ 172,880**

Amounts reported for governmental activities in the statement of activities – cash basis  
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 as depreciation expense.

|                 |                 |         |
|-----------------|-----------------|---------|
| Capital outlays | \$ 295,845      |         |
| Depreciation    | <u>(83,268)</u> | 212,577 |

Governmental funds report debt service as expenditures. However, in the statement  
of activities only the interest is reported as an expenditure with the principal portion  
being a reduction in the liability. (32,519)

KBC construction draws are reported as revenues in the governmental funds, but are  
shown as liabilities in the statement of net position. (313,837)

Bond discounts are reported as expenses in the governmental funds. For governmental  
activities, they are shown in the statement of net position and allocated over the term  
of the bond in the statement of activities. (915)

**Change In Net Position** **\$ 38,186**

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies that affect the significant elements of the financial statements of the Corbin Public Library District are summarized as follows:

**ORGANIZATION AND NATURE OF ACTIVITIES**

The Corbin Public Library District (the "Library") was initially organized as a special taxing district. With the passing of House Bill 1 (HB1), the definition of a special district was rewritten. Now, special districts are referred to as Special Purpose Governmental Entities (SPGE). The Library was identified by the Department for Local Government and the Kentucky Auditor's Office to be a SPGE, and is in compliance with the applicable registration and reporting requirements. The Library operates under a five member board of trustees, each appointed by the Mayor to a term of four years, the terms not to run concurrently. The Library provides services to the citizens of Whitley, Knox and Laurel Counties through its location in Corbin, Kentucky.

**BASIS OF ACCOUNTING**

The financial statements of the Library have been prepared on the cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

**REPORTING ENTITY**

In evaluating how to define the Library for financial reporting purposes, management has addressed all potential component units, which may or may not fall within the Library's oversight and control and, as such, be included within the Library's financial statements. The decision to include or exclude a potential component unit was made by applying the criteria set forth in U.S. generally accepted accounting principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of the ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Library is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no potential component units that should have been included in these financial statements.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the Library as a whole. The Library only has governmental activities.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental



CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the governmental activities of the Library. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Library.

**Fund Financial Statements:** Fund financial statements report detailed information about the Library. Their focus is on major funds rather than reporting funds by type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Library has the following fund:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the Library.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statement.

All capital assets in excess of \$1,500 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library does not possess any infrastructure.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for governmental fund capital assets:

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| <u>Description</u>          | <u>Useful Life</u> |
|-----------------------------|--------------------|
| Buildings                   | 45 years           |
| Building improvements       | 15 years           |
| Equipment and fixtures      | 5-7 years          |
| Library books and materials | 10 years           |

NET POSITION

Net position in government-wide fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Restricted Fund Balance* – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Committed Fund Balance* – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the board members. Any changes or removal of specific purposes also requires majority action by the Library.

*Assigned Fund Balance* – Portion of fund balance that has been budgeted by the Library.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.

*Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

BUDGETARY PROCESS

The Library's budgetary process accounts for certain transactions on a basis other than U.S. generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GAAP basis are: revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments, if any, are presented to the Board at their regular meetings.

**COMPENSATED ABSENCES**

The Library allows employees vacation days based upon length of service and type of employee (full-time salaried, part-time salaried or hourly). Vacation hours are at full pay at the employee's current pay rate, and cannot be carried over to future years without approval of the Library Director or the Board.

The Library also allows employees personal leave with pay, which is also based upon length of service and type of employment. Up to 240 hours a year can be accumulated.

Upon retirement, an employee may be paid for a maximum of 96 hours of leave, provided proper notice has been given. An employee who leaves employment of the Library for employment elsewhere shall not be paid for accrued personal leave.

As of June 30, 2019, there was no accrual for compensated absences.

**ESTIMATES**

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

**RESTRICTED RESOURCES**

The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Library's funds are required to be deposited and invested under the terms of Kentucky Revised Statutes. The depository bank deposits for safekeeping and trust with the Library's third party agent approved pledged securities in an amount sufficient to protect Library funds on a day-to-day basis during the fiscal year, if necessary. The pledging of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation coverage. The Library, at its own discretion, can invest funds in time deposits and certificates of deposit provided by any depository bank at interest rates approximating United States Treasury Bill rates.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying amount of the Library's deposits (cash and certificates of deposit) was \$1,002,799 at June 30, 2019. The bank balance was \$1,064,044 at June 30, 2019. The securities pledged, in combination with federal depository insurance, were adequate to cover the bank balances at June 30, 2019.

The deposits were deemed collateralized under Kentucky Law during the year. The following is disclosed:

- a. Name of banks utilized during fiscal year: Hometown Bank and Whitaker Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$791,642.
- c. Largest cash, savings and time deposit combined account balance amounted to \$1,064,044 and occurred during the month of June 2019.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the Library or by its agent in the Library's name.
- Category 2 Deposits, which are collateralized with securities, held by the pledging financial institutions trust department or agent in the Library's name.
- Category 3 Deposits, which are not collateralized or insured.

Based on these three levels of risk, the Library's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The Corbin Library is located within Whitley County and the taxing district of the Whitley County Public Library District. The Corbin Library historically has received financial assistance from the District and the District's Board of Trustees includes the Corbin Library in its annual budget. This budget amount is estimated to equal one fourth of the property taxes collected during the year and one third of the state grants received during the year. The Library also receives tax revenues through the City of Corbin. Current year property tax receipts through the City of Corbin for the year ended June 30, 2019 included in total taxes received were \$95,449. Delinquent taxes are allocated to the general fund. The Library does not record any taxes receivable.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 4 – CAPITAL ASSETS**

A summary of capital assets activity during the current fiscal year follows:

|   | <u>Balance</u><br><u>July 1, 2018</u> | <u>Additions</u>  | <u>Deletions</u>   | <u>Balance</u><br><u>June 30, 2019</u> |
|---|---------------------------------------|-------------------|--------------------|--|
| <b>GOVERNMENTAL ACTIVITIES</b>              |                                       |                   |                    |  |
| Land  | \$ 100,000                            | \$ -              | \$ -               | \$ 100,000                             |
| Buildings                                   | 854,533                               | -                 | -                  | 854,533                                |
| Building improvements                       | 434,438                               | -                 | -                  | 434,438                                |
| Equipment and fixtures                      | 58,572                                | -                 | -                  | 58,572                                 |
| Library books and materials                 | 233,098                               | 9,933             | -                  | 243,031                                |
| Construction in progress                    | <u>30,000</u>                         | <u>285,912</u>    | -                  | <u>315,912</u>                         |
|   | <u>1,710,641</u>                      | <u>295,845</u>    | -                  | <u>2,006,486</u>                       |
| Less accumulated depreciation:              |                                       |                   |                    |  |
| Buildings                                   | \$ 367,573                            | -                 | (47,785)           | 415,358                                |
| Building improvements                       | 253,002                               | -                 | (28,963)           | 281,965                                |
| Equipment and fixtures                      | 55,304                                | -                 | (1,014)            | 56,318                                 |
| Library books and materials                 | <u>186,699</u>                        | -                 | <u>(5,506)</u>     | <u>192,205</u>                         |
|   | <u>862,578</u>                        | -                 | <u>(83,268)</u>    | <u>945,846</u>                         |
| Governmental activities capital assets, net | <u>\$ 848,063</u>                     | <u>\$ 295,845</u> | <u>\$ (83,268)</u> | <u>\$ 1,060,640</u>                    |

**NOTE 5 – NOTE PAYABLE**

A summary of note payable activity during the current fiscal year follows:

|  | <u>Balance</u><br><u>July 1, 2018</u> | <u>Borrowings</u> | <u>Repayments</u>   | <u>Balance</u><br><u>June 30, 2019</u> |
|--|---------------------------------------|-------------------|---------------------|--|
| Note payable Hometown Bank;<br>monthly payments of \$3,343; bears<br>interest at 4%; due April 2041;<br>secured by land and building | <u>\$ 595,313</u>                     | <u>\$ -</u>       | <u>\$ (595,313)</u> | <u>\$ -</u>                            |

During the current fiscal year, interest expense of \$781 was paid.

**NOTE 6 – BOND PAYABLE**

A summary of bond payable activity during the current fiscal year follows:

|                       | <u>Balance</u><br><u>July 1, 2018</u> | <u>Borrowings</u>   | <u>Repayments</u>  | <u>Balance</u><br><u>June 30, 2019</u> |
|-----------------------|---------------------------------------|---------------------|--------------------|--|
| KBC bond series 2018B | <u>\$ -</u>                           | <u>\$ 1,370,000</u> | <u>\$ (10,000)</u> | <u>\$ 1,360,000</u>                    |

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 6 – BOND PAYABLE (CONTINUED)**

In August 2018, the Library issued bonds in the amount of \$1,370,000 (3.25% to 3.5% interest rate) through the Kentucky Bond Corporation, Financing Program Revenue Bonds, Series 2018B. Bond discounts of \$29,960 were recognized for the original issue discount and underwriter’s discount. These costs are being amortized over thirty years. Amortization expense for the current fiscal year was \$915. After a good faith deposit of \$100,000 and deducting costs of issuance of \$49,869, the Library deposited \$798,086 into the Library’s construction account, and paid off the Library’s promissory note at Hometown Bank in the amount of \$590,772. The remaining funds of \$1,312 were transferred into the Library’s sinking fund account.

The Library is utilizing annual Kentucky Department of Library and Archives (KDLA) grant funds in the amount of \$32,760 to assist with debt service and sinking fund requirements. The Library was selected as an eligible recipient of a KDLA Construction assistance grant, authorized under KRS 171.027, to assist local libraries in retiring debt incurred to renovate or build local library facilities.

The following represents the future minimum obligations and sinking fund requirements of the Library and include amounts to be paid by KDLA at June 30, 2019 for debt service (principal and interest):

|         | <u>SINKING FUND</u> |                   | <u>KDLA</u>       | <u>DISTRICT</u>     |
|---------|---------------------|-------------------|-------------------|---------------------|
|         | <u>PRINCIPAL</u>    | <u>INTEREST</u>   | <u>TOTAL</u>      | <u>TOTAL</u>        |
| 2019-20 | \$ 44,288           | \$ 53,593         | \$ 32,760         | \$ 65,121           |
| 2020-21 | 45,637              | 43,692            | 32,760            | 56,569              |
| 2021-22 | 50,243              | 42,209            | 32,760            | 59,692              |
| 2022-23 | 50,246              | 40,576            | 32,760            | 58,062              |
| 2023-24 | 55,258              | 38,943            | 32,760            | 61,441              |
| 2025-29 | 286,296             | 167,614           | 163,800           | 290,110             |
| 2030-34 | 336,381             | 117,835           | 163,800           | 290,416             |
| 2035-39 | 311,547             | 60,720            | 131,040           | 241,227             |
| 2040-44 | 120,504             | 20,480            | -                 | 140,984             |
| 2045-48 | 59,600              | 5,175             | -                 | 64,775              |
|         | <u>\$ 1,360,000</u> | <u>\$ 590,837</u> | <u>\$ 622,440</u> | <u>\$ 1,328,397</u> |

The full principal amount of \$1,360,000 outstanding at June 30, 2019 will be funded through the above sinking fund payments. During the current fiscal year, interest expense and fees of \$22,601 were paid.

**NOTE 7 – OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK**

The Accounting Standards require disclosure of information about financial instruments for which risk could exceed amounts reflected in the financial statements and information about significant geographic, industry, or other concentrations of credit risk for all financial instruments. We noted no other items which required disclosure.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Library receives funding from state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Library for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Library's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

No provision was made in the accompanying financial statements for any contingent liabilities.

**NOTE 9 – RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain coverage for unemployment insurance, the Library participates in the Kentucky Association of Counties (KACO) Trust. This public entity risk pool operates as common risk management and insurance program for all cities. The Library pays an annual premium to the fund for coverage.

Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro-rata basis.

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

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the Library at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

**NOTE 10 – IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF**

The Accounting Standards require that a test for impairment be made when events or changes in circumstances indicate that the carrying values of long-lived assets may not be recoverable. The test is a comparison of the carrying values with the expected future undiscounted cash flows generated by the assets. The results of our tests disclosed no instances of impairment that are required to be reported under this standard.

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019

NOTE 11 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through September 24, 2019, the date on which we issued our financial statements.



CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL  
FUND – CASH BASIS – BUDGET AND ACTUAL  
Year Ended June 30, 2019

|                                      | <u>Budgeted Amounts</u> |                | <u>Actual</u>     | Variance with                                     |
|--------------------------------------|-------------------------|----------------|-------------------|---|
|                                      | <u>Original</u>         | <u>Final</u>   |                   | Final Budget<br>Favorable<br><u>(Unfavorable)</u> |
| <b>REVENUES</b>                      |                         |                |                   |   |
| KBC construction draw                | \$ -                    | \$ -           | \$ 313,837        | \$ 313,837  |
| Property taxes                       | 254,830                 | 254,830        | 289,948           | 35,118  |
| City of Corbin – mortgage assistance | 37,000                  | 37,000         | 37,000            | -   |
| Contributions                        | 500                     | 500            | 12,575            | 12,075  |
| Interest                             | 800                     | 800            | 1,202             | 402   |
| State and local grants               | 5,000                   | 5,000          | 10,836            | 5,836   |
| Library fees                         | 10,000                  | 10,000         | 15,349            | 5,349   |
| Other                                | 1,870                   | 1,870          | 12,505            | 10,635  |
| Total revenues                       | <u>310,000</u>          | <u>310,000</u> | <u>693,252</u>    | <u>383,252</u>                                    |
| <b>EXPENDITURES</b>                  |                         |                |                   |   |
| Payroll, related taxes and benefits  | 181,250                 | 181,250        | 162,513           | 18,737  |
| Programming                          | 5,400                   | 5,400          | 2,663             | 2,737   |
| Collection development               | 14,000                  | 14,000         | 11,681            | 2,319   |
| Utilities                            | 20,000                  | 20,000         | 14,601            | 5,399   |
| Debt service                         | 37,750                  | 37,750         | -                 | 37,750  |
| Insurance                            | 8,500                   | 8,500          | 8,500             | -   |
| Internet/web page/phone              | 3,700                   | 3,700          | 6,408             | (2,708)   |
| Building and grounds/Annex           | 10,500                  | 10,500         | 293,215           | (282,715)   |
| Software and technology              | 18,000                  | 18,000         | 14,066            | 3,934   |
| Office supplies                      | 500                     | 500            | 238               | 262   |
| Library supplies                     | 2,000                   | 2,000          | 3,318             | (1,318)   |
| Miscellaneous                        | 7,700                   | 7,700          | 2,602             | 5,098   |
| Dues and fees                        | 700                     | 700            | 567               | 133   |
| Total expenditures                   | <u>310,000</u>          | <u>310,000</u> | <u>520,372</u>    | <u>(210,372)</u>                                  |
| Net change in fund balance           | <u>\$ -</u>             | <u>\$ -</u>    | 172,880           | <u>\$ 172,880</u>                                 |
| Fund balance, July 1, 2018           |                         |                | <u>420,369</u>    |   |
| Fund balance, June 30, 2019          |                         |                | <u>\$ 593,249</u> |   |

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

CORBIN PUBLIC LIBRARY DISTRICT  
Corbin, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

The Library's budgetary process accounts for transactions on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. This basis is utilized by the Library for its financial statements, as well. In accordance with state law, the Library prepares an annual budget based upon the amount of revenue to be raised by local taxation and from estimates of other local and state revenues. The budget contains estimated expenditures for current expenses, capital outlay, and other necessary expenses. The Library board adopts the budget during their regular meeting. The Library has the ability to amend the budget. The budget was not amended during the year.

# Marr, Miller & Myers, PSC

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## 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

September 24, 2019

To the Board of Trustees  
Corbin Public Library District  
Corbin, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards 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 the Corbin Public Library District (the "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, and have issued our report thereon dated September 24, 2019.

### **Internal Control Over Financial Reporting**

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

*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 Library'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.

# **Marr, Miller & Myers, PSC**

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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 Corbin Public Library District'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 Library'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marr, Miller & Myers, PSC*

Certified Public Accountants