

**BOYD COUNTY PUBLIC LIBRARY DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

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	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	2-3
<b>FINANCIAL STATEMENTS:</b>	
STATEMENT OF NET POSITION - CASH BASIS .....	4
STATEMENT OF ACTIVITIES – CASH BASIS .....	5
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES- GOVERNMENTAL FUNDS.....	6
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES –GOVERNMENTAL FUNDS .....	7
NOTES TO FINANCIAL STATEMENTS.....	8-12
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
BUDGETARY COMPARISON SCHEDULE – CASH BASIS - BUDGET AND ACTUAL – GENERAL FUND.....	13
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	14-15
<b>SCHEDULE OF FINDINGS AND RESPONSES</b> .....	16

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Boyd County Public Library District  
Ashland, Kentucky 41101

### **Report on the Financial Statement**

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of Boyd County Public Library District (the "Library") as of and for the year ended June 30, 2013, 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 error or fraud.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash-basis financial position of the governmental activities and each major fund of Boyd County Public Library District as of June 30, 2013 and the respective changes in cash-basis financial position for the year then ended in conformity with the 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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 November 22, 2013, on our consideration of the Library's internal control over financial reporting and 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 the 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.

*Kelley, Galloway & Company, PSC*

November 22, 2013

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<u>Governmental- Type Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,686,033
Certificates of deposit	1,075,893
Total current assets	<u>5,761,926</u>
Total assets	<u>\$ 5,761,926</u>
 <b>NET POSITION</b>	
Unrestricted	5,761,926
Total net position	<u>\$ 5,761,926</u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues			Net Expense and Changes in Net Assets
Primary government:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				Governmental Activities
Library services	\$ 3,353,468	\$ 67,523	\$ 12,016	\$ (3,273,929)
Total governmental activities	3,353,468	67,523	12,016	(3,273,929)
Total primary government	\$ 3,353,468	\$ 67,523	\$ 12,016	\$ (3,273,929)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 3,335,529
Other				6,977
Interest income				25,459
Total general revenues and transfers				3,367,965
Change in net assets				94,036
Net position, June 30, 2012				5,667,890
Net position, June 30, 2013				\$ 5,761,926

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,686,033	\$ -	\$ 4,686,033
Certificates of deposit	1,020,070	55,823	1,075,893
Total assets	\$ 5,706,103	\$ 55,823	\$ 5,761,926
 <b>Fund balances</b>			
Committed	\$ 1,020,070	\$ 55,823	\$ 1,075,893
Unreserved -			
Unassigned	4,686,033	-	4,686,033
Total fund balances	\$ 5,706,103	\$ 55,823	\$ 5,761,926

The accompanying notes to financial statements  
are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Total Governmental Funds</b>
Receipts:			
From local sources:			
Taxes	\$ 3,335,529	\$ -	\$ 3,335,529
Charges for services	67,523	-	67,523
Local contributions	12,016	-	12,016
Other local	6,977	-	6,977
Interest income	25,146	313	25,459
Total receipts	3,447,191	313	3,447,504
Disbursements:			
Current:			
Library services	3,353,468	-	3,353,468
Total disbursements	3,353,468	-	3,353,468
Net change in fund balances	93,723	313	94,036
Fund balances, June 30, 2012	5,612,380	55,510	5,667,890
Fund balances, June 30, 2013	\$ 5,706,103	\$ 55,823	\$ 5,761,926

The accompanying notes to financial statements  
are an integral part of this statement.



**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**(1) NATURE OF ORGANIZATION**

The Boyd County Public Library District (the "Library") was organized June 3, 1981 in accordance with section 173.720 of the Kentucky Revised Statutes (KRS). The Library provides library services to the citizens of Boyd County, Kentucky and surrounding areas. The Library's major sources of funding are 13.6 cents per hundred assessed valuation of real property, 13.91 cents per hundred assessed valuation of personal property, and 4.60 cents per hundred assessed valuation of motor vehicles property tax rates levied on property in Boyd County, Kentucky.

A summary of more significant accounting policies of the Library are as follows:

Fund Accounting

The Library uses funds to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Library as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the Library). The statements include a statement of net position – cash basis and a statement of activities – cash basis. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Library. Governmental activities generally are financed through taxes and intergovernmental revenues. The Library had no business-type activities.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient for the 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. Receipts that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

Fund financial statements - provide information about the Library's funds. Separate statements are presented for the governmental fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The Library has two major funds, the General Fund and Building Fund.

General Fund - The General Fund is used to account for all uncommitted financial resources of the Library.

Building Fund – The Building Fund is a capital projects fund used to account for costs associated with building repairs and renovations which is primarily funded by state grants and/or local contributions.

The accounting and reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using the cash basis of accounting. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received and disbursements are recognized when paid. This differs from U.S. generally accepted accounting principles, which requires the government-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from U.S. generally accepted accounting principles, which require the governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

#### Basis of Accounting

In accordance with KRS 173.770, the Library maintains its accounting records and prepares its financial statements on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when obligations are incurred. Therefore, receivables, investments at fair market value, and payables, accrued income and expenses, and property, buildings, equipment and the related depreciation which may be material in amount, are not reflected in the financial statements. Accordingly, the statement of receipts, disbursements and cash basis fund balances - cash basis is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

#### Investments

Investments are reported on the cost basis. Since all investments were donated to the Library, they have a zero cost basis. No unrealized gains or losses are included in the Statement of Receipts, Disbursements and Cash Basis Fund Balances - Cash Basis in accordance with the cash basis of accounting.

#### Income Taxes

The Library qualifies as a local government taxing district and therefore is exempt from federal and state income taxes.

#### Budgeting

The Library prepares an annual budget as required by the Kentucky Revised Statutes in establishing budgetary data reflected in the financial statement. The Library's budget is approved by the Board of Trustees.

## (2) CASH BALANCES

The cash balances at June 30, 2013 consisted of the following:

Cash on hand	\$	100	
Checking/repurchase agreement		4,685,933	
Certificates of deposit		<u>1,020,070</u>	
Total general fund cash	\$		<u>5,706,103</u>
Certificate of deposit		<u>55,823</u>	
Total building fund cash			<u>55,823</u>
Total cash	\$		<u>5,761,926</u>

## (3) INVESTMENTS

A summary of investments at June 30, 2013 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	<u>\$ -</u>	<u>\$ 25,896</u>	<u>\$ 25,896</u>

Investment return included in the financial statements is summarized as follows:

Dividend income	\$	189
Proceeds from sale of investments		<u>1,602</u>
	\$	<u>1,791</u>

## (4) PENSION PLAN

### County Employees Retirement System

The Library participates in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 696-8800 or from the KRS web site at <http://www.kyret.ky.gov/>.

Funding for CERS is provided by members who contribute 5% of their salary through payroll deductions and by employers of members who contribute 19.55% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The Library's contributions to CERS for the years ending June 30, 2013, 2012, and 2011 were \$122,726, \$140,498, and \$126,372, respectively, equal to the required contributions for the year.

## (5) CONCENTRATION OF CREDIT RISK

The Library maintains cash balances at several local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

At June 30, 2013, additional security was pledged by one financial institution to collateralize deposits in excess of the FDIC insured amount. At June 30, 2013, the carrying amount of the Library's deposits with local banks was \$5,761,826 and the bank balances were \$5,838,030. In addition, the Library had petty cash on hand of \$100. Of the bank balances, \$10,272 was uncollateralized. The Bank balance is categorized as follows:

Amount insured by FDIC	\$ 1,315,623
Additional pledged securities	4,512,135
Uncollateralized	<u>10,272</u>
Total	<u>\$ 5,838,030</u>

#### (6) COMMITTED ASSETS

Funds classified as *committed* cannot be used for any other purpose unless the Board of Directors takes the action to remove or change the existing constraint. Certain funds totaling \$1,020,070 represent amounts committed to be held in reserve as the Library strives to maintain at least six months of expenses on hand with an ultimate goal of twelve months. Also, funds totaling \$55,823 represent amounts committed to be used for building improvements and repairs.

#### (7) RENTALS UNDER OPERATING LEASE

The Library's leasing operations consist of the leasing of space at the Kyova Tri-State Mall under an operating lease. The Library recognizes the expenses related to the obligation as lease payments are made. Total rent expenses under the operating type lease were \$18,000.

The amounts of future minimum rental payments under the current lease (not including renewals) are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2014	\$ 18,000
2015	18,000
2016	22,125
2017	22,500
2018-2021	<u>69,375</u>
	<u>\$ 150,000</u>

#### (8) FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the Library was not required to change the reporting of current or past transactions.

The Governmental Accounting Standards Board (GASB) has issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the computation of equity on the Statement of Net Position-Cash Basis was changed and equity was retitled as "net position".

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenses. The Library has not completed the process of the evaluation of GASB No. 65; however, the Library does expect it to have an impact on its future financial statements.

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multiple-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Libraries will be required to disclose net pension liability for their share of the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the cash basis financial statements of the Library. Additional note disclosures and required supplementary information (RSI) also are addressed in the standard. The standard is effective for fiscal year ending June 30, 2015.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>RECEIPTS</b>			
Boyd County sheriff	\$ 3,070,000	\$ 2,842,463	\$ (227,537)
Boyd County clerk	349,000	301,849	(47,151)
Kentucky Revenue Cabinet	150,000	137,820	(12,180)
E-Rate	30,000	53,397	23,397
State aid/grants	23,500	-	(23,500)
Fines	35,000	49,134	14,134
Copier & other fees	15,000	18,389	3,389
Reimbursements	2,500	1,811	(689)
Miscellaneous receipts	1,000	5,163	4,163
Contributions and gifts	6,000	12,016	6,016
Interest income	17,000	23,668	6,668
Investment income	1,000	1,478	478
Friends receipts	500	3	(497)
Total receipts	<u>3,700,500</u>	<u>3,447,191</u>	<u>(253,309)</u>
<b>DISBURSEMENTS</b>			
Salaries and related benefits	1,684,500	1,395,889	288,611
Library materials	926,000	709,083	216,917
Building improvements and repairs	403,500	197,992	205,508
Technology	183,000	84,917	98,083
Software/upgrades	30,000	7,460	22,540
Postage	38,000	27,997	10,003
Service contracts	167,000	180,521	(13,521)
Utilities	159,000	178,005	(19,005)
Lease expense	18,000	18,000	-
Office supplies	103,000	128,242	(25,242)
Equipment purchases	204,000	165,000	39,000
Outside services	38,000	45,507	(7,507)
Staff education and travel	95,500	34,593	60,907
Insurance	24,000	26,949	(2,949)
Public relations	76,500	55,997	20,503
Programming	56,500	50,003	6,497
Miscellaneous	54,000	47,313	6,687
Total disbursements	<u>4,260,500</u>	<u>3,353,468</u>	<u>907,032</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	(560,000)	93,723	653,723
<b>FUND BALANCE-BEGINNING OF YEAR</b>	<u>560,000</u>	<u>5,612,380</u>	<u>5,052,380</u>
<b>FUND BALANCE-END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,706,103</u>	<u>\$ 5,706,103</u>



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**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 of  
Boyd County Public Library District  
Ashland, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Boyd County Public Library District (the "Library") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 22, 2013, which includes an explanatory paragraph stating that the Library's financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not



identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response that we consider to be a significant deficiency, (see 2013-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of 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*.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of finding and responses. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **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.

*Kelley, Galloway & Company, PSC*  
November 22, 2013

**BOYD COUNTY PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**(A) SUMMARY OF AUDIT RESULTS**

- The auditor's report expresses an unqualified opinion on the financial statements of Boyd County Public Library District.
- Significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the financial statement of Boyd County Public Library District were disclosed during the audit.

**(B) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

2013-1 – Recording Cash Receipts

- Condition: We noted the cash receipts spreadsheet hadn't been reconciled to actual deposits received in the bank account during the year.
- Effect: Credit card receipts were not actually being deposited into the bank account by the credit card company due to the Library not transmitting the data properly.
- Recommendation: We recommend that the cash receipts spreadsheet be reconciled to actual deposits on a timely basis to help quickly identify errors and correct them.
- Response: Procedures have been implemented to correct this immediately.