

ESTILL COUNTY PUBLIC LIBRARY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014



CRAFT, NOBLE & COMPANY
PLLC



Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Estill County Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Estill County Public Library, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Estill County Public Library, as of June 30, 2014, and the respective changes in financial position and thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because 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 October 7, 2014 on our consideration of the Estill County Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estill County Public Library's internal control over financial reporting and compliance.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 7, 2014

ESTILL COUNTY PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Estill County Public Library's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2014. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

- I. The Library spent approximately 13.4% of its tax revenues on Library Materials.*
- II. The Library's share of the property tax decreased 2.5% from the previous fiscal year.*
- III. The Library continues to spend on improved equipment and improved services.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

Over the past years, the primary focus of local government financial statements has been summarized fund-type information on a current financial resource basis. This approach has been modified and now the Library's financial statements present two kinds of statements, each with a different snapshot of the Library's finances. The new focus is both the Library as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net assets of the Library and the changes in them. One can think of the Library's net assets – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net assets are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Assets and the Statement of Activities, we look at the Library's overall activity.

Governmental activities – most of the Library's basic services are reported here, including property taxes. Grants and other income finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year details of operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net assets for the years ending June 30, 2014 and 2013:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 293,941	\$ 268,761	\$ 25,180
Other assets	1,491,296	1,376,279	115,017
Long-term liabilities	18,771	18,176	595
Current liabilities	10,048	12,161	(2,113)
Invested in fixed assets, net of related debt	293,941	268,761	25,180
Unrestricted net assets	1,462,477	1,345,942	116,535

The Library's main source of revenue is property tax, which is approximately 95.3% of the Library's total revenue. Other income sources included donations, state aid, and fines and fees. The personnel expense represents 50.8% of total expenditures, while the state average is 63%. Personnel expenditures increased about 1.9% from the previous year.

Financial Analysis of the Library as a Whole (Continued)

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Variance</u>
Taxing district revenues	\$ 609,143	\$ 624,546	\$ (15,403)
Grant revenues	14,908	11,132	3,776
Investment income	2,357	4,444	(2,087)
Public support	1,665	1,514	151
Other revenues	10,967	13,023	(2,056)
Total revenues	<u>639,040</u>	<u>654,659</u>	<u>(15,619)</u>
Personnel expenses	264,955	260,130	4,825
Library materials	81,582	82,987	(1,405)
Telephone and utilities	13,246	10,496	2,750
Insurance	7,778	6,676	1,102
Office supplies	8,863	6,019	2,844
Programming	12,541	17,471	(4,930)
Public relations	3,222	3,419	(197)
Postage	1,434	1,513	(79)
Legal and accounting	14,265	11,795	2,470
Van and bookmobile operations	3,885	4,401	(516)
Staff education and dues	1,184	1,997	(813)
Technology	7,893	7,148	745
Other expenses	1,706	2,022	(316)
Repairs and maintenance	37,323	40,050	(2,727)
Capital outlay	62,033	58,928	3,105
Total expenditures	<u>521,910</u>	<u>515,052</u>	<u>6,858</u>
Change in fund balance	<u>\$ 117,130</u>	<u>\$ 139,607</u>	<u>\$ (22,477)</u>

Capital Asset Activity

Most capital asset activity focused on one large project. The library closed for a week in the month of September to conduct an inventory, repair a damaged drain line, install new furniture to increase the number of computer stations available, and generally make better use of existing space. During this project an EM (electro-magnetic) security system was installed and security strips placed in materials and media cases. Additionally, the library expended funds to place two book drops in the community to assist patrons in the timely return of materials, and replaced a server donated by another library.

Budget Highlights

The library operates on a zero balance budget which seeks to present all funds held by the library. The library adopts an annual budget each spring. A preliminary budget is discussed by the Director and Trustees before adopting a final budget. The budget provides framework, in conjunction with a long-range plan, to guide expenditures throughout the year. The budget is amended throughout the year if unusual or unexpected events occur. The Trustees are presented with a current month and a prior year monthly comparison, as well as a year-to-date statement at each monthly meeting.

Budget Highlights (Continued)

Budget Comparison for 2014

	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 600,000	\$ 639,040	\$ 39,040
Library Materials	98,950	81,582	17,368
Technology	13,000	7,893	5,107
Employee Expenses	274,650	264,955	9,695
Operating Expenses	127,400	98,672	28,728
Bookmobile/Van	13,000	3,885	9,115
Education/Travel	3,000	1,184	1,816
Other Expenses	<u>70,000</u>	<u>63,739</u>	<u>6,261</u>
Total Budgeted	<u>\$ -</u>	<u>\$ 117,130</u>	<u>\$ 117,130</u>

Economic Factors and Next Year's Budget

The library recognizes the local economy as a major factor when creating the annual budget. Property taxes remain the single largest source of revenue for the operation of the library. The library also recognizes the increased demand for library resources and services, the need to adequately fund any endeavors the library pursues, and maintaining current operations without unduly affecting the community as a whole. The budget for the next fiscal year will address replacement of an aging HVAC system, a redesign of the sole meeting room used by both the public and for library programs, and bringing an Internet connection to the bookmobile.

Contacting the Library Management

The financial report is designed to provide the citizens of Estill County with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Glenn Kahmann or the Treasurer, Susan Scrivner.

Estill County Public Library
Statement of Net Position
June 30, 2014

Assets

Current Assets:

Cash and cash equivalents	\$	1,487,221
Accounts receivable		4,075
Total Current Assets		1,491,296

Fixed Assets:

Depreciable buildings, property and equipment, net of depreciation		251,569
Land		42,372
Total Fixed Assets		293,941

Total Assets		\$ 1,785,237
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Liabilities and Net Position

Liabilities:

Current Liabilities:

Accounts payable		\$ 5,177
Accrued taxes payable		4,871
Total Current Liabilities		10,048

Long-Term Obligations:

Compensated absences		18,771
Total Long-Term Obligations		18,771

Total Liabilities		28,819
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Net Position

Invested in fixed assets, net of related debt		293,941
Unrestricted		1,462,477
Total Net Position		1,756,418

Total Liabilities and Position		\$ 1,785,237
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The accompanying notes are an integral part of these financial statements.

Estill County Public Library
Statement of Activities
For The Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
Governmental activities				
Cultural and recreations	\$ (497,325)	10,677	16,573	\$ (470,075)
General Revenues:				
			Taxing district revenues	\$ 609,143
			Investment income	2,357
			Other Income	290
			Total general revenues	611,790
			Change in net position	141,715
			Net position - beginning	1,614,703
			Net position - ending	\$ 1,756,418

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

Estill County Public Library
 Balance Sheet
 Governmental Fund
 June 30, 2014

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 1,487,221
Accounts receivable	4,075
Total Assets	\$ 1,491,296
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 5,177
Accrued taxes payable	4,871
Total Liabilities	10,048
Fund Balances	
Unassigned	1,481,248
Total Fund Balances	\$ 1,481,248
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 293,941
Certain liabilities (including net bonds and notes payable, capital leases and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(18,771)
Net position of governmental activities	\$ 1,756,418

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

Estill County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2014

	Governmental Fund
Revenues	
Taxing district revenues	\$ 609,143
Grant revenues	14,908
Investment income	2,357
Public support	1,665
Other revenues	10,967
Total Revenue	639,040
Expenditures	
Current	
Personnel expenses	264,955
Library materials	81,582
Telephone and utilities	13,246
Insurance	7,778
Office supplies	8,863
Programming	12,541
Public relations	3,222
Postage	1,434
Legal and accounting	14,265
Van and bookmobile operations	3,885
Staff education and dues	1,184
Technology	7,893
Other expenses	1,706
Repairs and maintenance	37,323
Total Current Expenditures	459,877
Operating capital outlays	62,033
Total Expenditures	521,910
Net change in fund balance	117,130
Fund balance - beginning	1,364,118
Fund balance - ending	\$ 1,481,248

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

Estill County Public Library
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2014

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	117,130
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay		62,033
Depreciation Expense		(36,853)

Governmental Funds report expenses as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting.

		(595)
Change in Net Position of Governmental Activities	\$	141,715

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

Estill County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2014

Revenues	Enacted Budget	Actual	Favorable (Unfavorable) Balance
Taxing district revenues	\$ 572,500	\$ 609,143	\$ 36,643
Grant revenues	13,500	14,908	1,408
Investment income	3,000	2,357	(643)
Public support	1,500	1,665	165
Other revenues	9,500	10,967	1,467
Total Revenue	600,000	639,040	39,040
Expenditures			
Current			
Personnel expenses	274,650	264,955	9,695
Library materials	98,950	81,582	17,368
Telephone and utilities	16,700	13,246	3,454
Insurance	9,000	7,778	1,222
Office supplies	11,000	8,863	2,137
Programming	14,000	12,541	1,459
Public relations	3,400	3,222	178
Postage	1,600	1,434	166
Legal and accounting	17,500	14,265	3,235
Van and bookmobile operations	13,000	3,885	9,115
Staff education and dues	3,000	1,184	1,816
Technology	13,000	7,893	5,107
Other expenses	5,000	1,706	3,294
Repairs and maintenance	54,200	37,323	16,877
Total Current Expenditures	535,000	459,877	75,123
Operating capital outlays	65,000	62,033	2,967
Total Expenditures	600,000	521,910	78,090
Net change in fund balance		117,130	
Fund balance - beginning		1,364,118	
Fund balance - ending		<u>\$ 1,481,248</u>	

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

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Estill County Public Library (the Library) was created in 1970 as a taxing district. This public library district was formed by the Estill County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Estill County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

Basis of Presentation

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Library has only one such governmental fund that accounts for the daily operating activity of the Library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Library follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues includes those property tax receivables expected to be collected within sixty-days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library's operating activities, an expense for capital outlays has been reported on the fund financial statements. The Library expenses all books and materials as purchased and does not capitalize such items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2014 was \$36,853.

Fund Balance

As of June 30, 2014, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2014 fund balances are comprised of the following:

	<u>General Fund</u>
Unassigned	\$ 1,481,248

Use of Estimates

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

ESTILL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	Compensated Absences
Payable at June 30, 2013	\$ 18,176
Net increase in compensated absences	595
Payable at June 30, 2014	\$ 18,771

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Governmental Activities	July 1, 2013	Additions	June 30, 2014
Land	\$ 42,372	\$ -	\$ 42,372
Buildings	322,969	11,435	334,404
Vehicles	27,376	-	27,376
Furniture and equipment	265,312	50,598	315,910
Total at historical cost	658,029	62,033	720,062
Less: Accumulated Depreciation			
Buildings	192,417	9,884	202,301
Vehicles	27,376	-	27,376
Furniture and equipment	169,475	26,969	196,444
Total accumulated depreciation	389,268	36,853	426,121
Capital assets – net	\$ 268,761	\$ 25,180	\$ 293,941

NOTE 4 – COMPENSATED ABSENCES

It is the Library's policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2014 the liability for these absences was \$18,771 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 5 – RETIREMENT PLAN

Employees of the Library are eligible to participate in a defined contribution retirement plan after a stated term of service. The Library contributes a percentage of each eligible employee's salary to an individual retirement account. The retirement expense for the year ended June 30, 2014 was \$25,293. Such amount is listed as part of personnel costs in the financial statements.

ESTILL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2014 was as follows:

Category 1	\$	500,000
Category 2	\$	987,221
Category 3	\$	-

NOTE 7 – 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. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 8 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2014 were levied on October 1, 2013 on the assessed property located in Estill County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

Vehicle taxes are collected by the County Clerk of Estill County and are due and collected in the birth month of the vehicle’s licensee.

NOTE 9 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through October 7, 2014, the date this report became available for issuance.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Estill County Public Library
Irvine, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Estill County Public Library, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Estill County Public Library's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

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

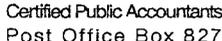
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Estill County Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

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.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 7, 2014