

Polk County Library

Basic Financial Statements
Year Ended December 31, 2021

KPM
CPAS & ADVISORS

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Board of Trustees
Polk County Library
Bolivar, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Polk County Library, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Polk County Library, as of December 31, 2021, and the respective changes in the modified cash basis financial position for the year then ended in accordance with basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Polk County Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

As described in Note 1 of the financial statements, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedule, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, on our consideration of the Polk County 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 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 Polk County Library's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 8, 2022

Government-Wide Financial Statements

Polk County Library

Statement of Net Position – Modified Cash Basis

December 31, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 676,517
Investments	309,349
Total Assets	\$ 985,866
Net Position	
Restricted for gifts	\$ 72,717
Unrestricted	913,149
Total Net Position	\$ 985,866

See accompanying notes to the financial statements.

Polk County Library

Statement of Activities – Modified Cash Basis

Year Ended December 31, 2021

		Program Receipts			
	Cash	Charges for	Operating	Capital	Net
Functions/Programs	Disbursements	Services	Grants and Contributions	Grants and Contributions	(Disbursements) Receipts and Changes in Net Position
Governmental Activities					
Library	\$ (830,482)	\$ 13,656	\$ 49,088	\$ 12,500	\$ (755,238)
Total Governmental Activities	\$ (830,482)	\$ 13,656	\$ 49,088	\$ 12,500	(755,238)
General Receipts					
Ad valorem taxes					856,091
Other taxes					11,928
Investment income					52,778
Miscellaneous					16,085
Total General Receipts					936,882
<i>Change in Net Position</i>					181,644
Net Position, Beginning of year					804,222
Net Position, End of year					\$ 985,866

See accompanying notes to the financial statements.

Fund Financial Statements

Polk County Library

Statement of Assets and Fund Balances – Modified Cash Basis – Governmental Funds

December 31, 2021

	General Fund
Assets	
Cash and cash equivalents	\$ 676,517
Investments	309,349
Total Assets	\$ 985,866
Fund Balances	
Restricted for gifts	\$ 72,717
Unassigned	913,149
Total Fund Balances	\$ 985,866

See accompanying notes to the financial statements.

Polk County Library

Statement of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds
Year Ended December 31, 2021

	General Fund
Receipts	
Taxes	\$ 868,019
Intergovernmental receipts	49,088
Charges for services	13,656
Donations and gifts	27,885
Investment income	52,778
Miscellaneous	700
Total Receipts	<u>1,012,126</u>
Disbursements	
Current	
Library	830,482
Total Disbursements	<u>830,482</u>
<i>Excess of Receipts Over Disbursements</i>	181,644
Fund Balance, January 1, 2021	804,222
Fund Balance, December 31, 2021	<u><u>\$ 985,866</u></u>

See accompanying notes to the financial statements.

Polk County Library

Notes to the Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies

The Library's accounting policies conform to the modified cash basis of accounting, which is characteristic of local governmental units of this type.

History of Organization

Polk County Library was created August 6, 1948, as a government unit providing public library services to the residents of Polk County, Missouri. The Library operates branches in Bolivar, Humansville, Morrisville, and Fair Play.

Financial Reporting Entity

Polk County Library, for financial reporting purposes, includes all of the funds relevant to the operations of Polk County Library. The financial statements presented herein do not include agencies, which have been formed under applicable state laws as separate and distinct units of government apart from Polk County Library.

A component unit is a legally separate organization for which the elected officials of its primary government are financially accountable. As required by accounting principles generally accepted in the United States of America, the Polk County Library has evaluated criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The Library has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the financial statements. In addition, the Library is not aware of any for which the Library would be considered as a component unit of that entity.

Basis of Presentation

The basic financial statements include both the government-wide (the Statement of Net Position and Statement of Activities) and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present governmental activities generally financed through taxes, intergovernmental receipts, and other non-exchange transactions.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund balance, receipts and disbursements. The Library has one only governmental fund.

The Library reports the following major governmental fund:

General Fund: The General Fund is the general operating fund of the Library. It is used to account for all financial resources of the Library.

Polk County Library

Notes to the Financial Statements

December 31, 2021

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, net position/fund balance, receipts, and disbursements when they result from cash transactions. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. The modifications to the cash basis of accounting are for the presentation of investments and related unrealized gains (losses).

If the Library utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Capital Outlay

Property and equipment are recorded as disbursements in the General Fund at the time the goods received are purchased.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as disbursements in the year paid. Such amounts unused that are vested in the employee are payable upon termination at varying rates depending on length of service.

Books and Records Collections

The cost of books and records are expensed in the General Fund in the year purchased.

Net Position

In the government-wide financial statements, net position is classified in two components as follows:

Restricted net position: Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: All other assets that do not meet the definition of "restricted."

It is the Library's policy to first use restricted assets prior to the use of unrestricted assets when disbursements are made for purposes for which both restricted and unrestricted assets are available.

Polk County Library

Notes to the Financial Statements

December 31, 2021

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources 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.

Restricted fund balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Trustees – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance: This classification reflects the amounts constrained by the Library’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the Library’s taxpayers are reported as program receipts. These include 1) charges for library fines and photo copies, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general. All taxes are classified as general receipts, even if restricted for a specific purpose.

2. Cash & Cash Equivalents

The Library maintains checking accounts, money market and savings accounts in local banking institutions. State statutes require that the Library's deposits be insured or collateralized in the name of the Library by a trust department of a bank that does not hold the collateralized deposits. As of December 31, 2021, \$61,846 was uninsured and uncollateralized.

Polk County Library

Notes to the Financial Statements

December 31, 2021

3. Investments

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Library has the following investments at December 31, 2021:

<u>Investment Type</u>	<u>Maturity</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Assets held at Edward Jones					
Equity securities	N/A	\$ 60,483	\$ -	\$ -	\$ 60,483
Assets held at Community Foundation of the Ozarks					
Equity securities	N/A	151,467	-	-	151,467
Flexible capital composite index	N/A	30,771	-	-	30,771
Fixed income	N/A	41,932	-	-	41,932
Real assets	N/A	24,696	-	-	24,696
		<u>248,866</u>	<u>-</u>	<u>-</u>	<u>248,866</u>
Total Investments		<u>\$ 309,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,349</u>

Investments have been valued with quoted prices in active markets for identical securities (Level 1).

Interest Rate Risk

The Library does not have a formal investment policy.

Investment Type and Collateralization

The Library holds the above investments which are not collateralized or insured as required by Missouri State Statutes.

4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable December 31. The county collects the property taxes and remits them to the Library.

The assessed valuation of the tangible property for the calendar year 2020 for purposes of local taxation was:

Real Estate	\$ 282,937,938
Personal Property	83,633,554
Total	<u>\$ 366,571,492</u>

Polk County Library

Notes to the Financial Statements

December 31, 2021

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2020 for purposes of local taxation was:

General Fund	<u><u>\$.2297</u></u>
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5. Restricted Assets

Investments held at Community Foundation of the Ozarks have been restricted for fund balance in the General Fund for donations received by Community Foundation of the Ozarks in 2010 on behalf of the Friends of the Library, a defunct component unit that transferred assets to the Library in 2010. These funds were collected to establish an endowment fund with the corpus being restricted and earnings being unrestricted for Library use. The following is a summary of those gifts:

	Restricted Cash and Cash Equivalents	Restricted Fund Balance
Gifts	\$ -	\$ 72,717

6. Employee Pension Plan

General Information about the Pension Plan

Plan Description. The Library’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755.

As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided: LAGERS provides retirement, death, and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	2021 Valuation
Benefit Multiplier	1.00%
Final Average Salary	3 years
Member Contributions	0%

Polk County Library

Notes to the Financial Statements

December 31, 2021

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms: At June 30, 2021, which is LAGERS fiscal year end and the latest information available, the following employees were covered by the benefit terms:

	<u>General</u>
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	3
Active employees	9
	<u>22</u>

Contributions: The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 6.8% for General of annual covered payroll.

During the year ended December 31, 2021, the Library made contributions of \$22,147.

7. Claims & Judgments

The Library participates in a number of programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the Library may be required to reimburse the grantor government. As of December 31, 2021, disbursements have not been audited by grantor governments, but the Library believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the Library.

8. Compensated Absences Payable

Compensated absences payable consists of accumulated paid time off (PTO) as of December 31, 2021. PTO is determined on the anniversary date of each employee. Regular full-time and part-time employees accrue hours on a monthly basis based on years of service. Accrued PTO as of December 31, 2021, was \$19,621.

9. Risk Management

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has transferred its risk by obtaining various insurance coverage. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

Other Information

Polk County Library

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Receipts				
Taxes				
Ad valorem taxes	\$ 811,732	\$ 811,732	\$ 856,091	\$ 44,359
Other taxes	9,065	9,065	11,928	2,863
	820,797	820,797	868,019	47,222
Intergovernmental receipts				
State aid	15,569	15,569	15,569	-
Grants	22,000	22,000	33,519	11,519
	37,569	37,569	49,088	11,519
Charges for services	14,000	14,000	13,656	(344)
Donations and gifts	15,000	15,000	27,885	12,885
Investment income	1,000	1,000	52,778	51,778
Miscellaneous	6,000	6,000	700	(5,300)
Total Receipts	894,366	894,366	1,012,126	117,760
Disbursements				
Current				
Library	837,055	837,055	830,482	6,573
Total Disbursements	837,055	837,055	830,482	6,573
<i>Excess of Receipts Over Disbursements</i>	57,311	57,311	181,644	124,333
Fund Balance, January 1, 2021	804,222	804,222	804,222	-
Fund Balance, December 31, 2021	\$ 861,533	\$ 861,533	\$ 985,866	\$ 124,333

See accompanying notes to the Budgetary Comparison Schedule.

Polk County Library

Notes to the Budgetary Comparison Schedule

December 31, 2021

Budgets and Budgetary Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67, RSMo, the Library adopts a budget for the General Fund.
2. Prior to December, the Director, who serves as the Budget Officer, submits to the Board of Trustees a proposed budget for the fiscal year beginning on the following January 1. The budget includes estimated receipts and proposed disbursements for the Library's General Fund. Budgeted disbursements cannot exceed beginning available monies plus estimated receipts for the year.
3. Prior to January 1, the budget is legally enacted by a vote of the Board of Trustees.
4. Subsequent to its formal approval of the budget, the Board of Trustees has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. Individual amendments were not material to the original appropriations, which were amended.
5. Budgets for the General Fund are prepared and adopted on the modified cash basis (budget basis).

Other Reporting Requirements



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Polk County Library
Bolivar, Missouri

We have audited, 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, the financial statements of the governmental activities and the major fund of the Polk County Library as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Polk County Library's basic financial statements, and have issued our report thereon, dated June 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Polk County Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Polk County 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.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as item 2021-001, that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Polk County Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Library's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Library's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Polk County 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 Polk County Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
June 8, 2022

Polk County Library

Schedule of Findings and Responses

Year Ended December 31, 2021

Material Weakness

2021-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The Library currently has the Executive Director to handle the accounting needs of the Library. There are some mitigating controls in place, but it is not possible to have segregation in all areas.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties, and the Library does not have the resources to hire additional accounting personnel.