

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY**  
(a joint venture of the CITY OF JONESBORO, AR  
and CRAIGHEAD COUNTY, AR)

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**with**

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**



**CONTENTS**

	<b><u>PAGE</u></b>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1-2
STATEMENT OF NET POSITION.....	3
STATEMENT OF ACTIVITIES.....	4
BALANCE SHEET GOVERNMENTAL FUND.....	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE.....	6
NOTES TO THE FINANCIAL STATEMENTS.....	7-13
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.....	14-15



## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors  
Craighead County Jonesboro Public Library (A Joint Venture of the City of Jonesboro, AR and Craighead County, AR)  
Jonesboro, Arkansas

We have audited the accompanying financial statements of Craighead County Jonesboro Public Library (A Joint Venture) (“the Library”), which comprise the statement of net position and balance sheet-governmental fund as of December 31, 2020, and the related statements of activities and revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

### **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 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 opinions.

### **Basis for Qualified Opinion on Government-Wide Financial Statements**

Management has not adopted an accounting policy to capitalize books and materials in the government-wide financial statements. Accounting principles generally accepted in the United States of America require that books and materials be capitalized over their estimated useful lives, which would increase the assets and net position and change the expenses in the Statements of Activities. The amount by which this departure would affect the assets, net position, and expenses has not been determined.

Also, as more fully described in Note 9 to the financial statements, as of and for the year ended December 31, 2020, the Library has not determined the liability nor the current year cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which requires the liability of employee pension to be recognized when the accumulated benefit obligation exceeds

the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Government-Wide Financial Statements” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Craighead County Jonesboro Public Library (A Joint Venture), as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library’s internal control over financial reporting and compliance.

HCV CPA, & Advisors, PLLC

November 8, 2021

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY**  
**(A JOINT VENTURE OF THE CITY OF JONESBORO, AR AND CRAIGHEAD COUNTY, AR)**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 6,139,042
Taxes receivable	554,194

**Restricted assets**

Cash and investments - endowments	560,608
Cash and temporary investments-capital improvements	544,162

<b>Total current assets</b>	<b>\$ 7,798,006</b>
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**Capital Assets**

Land	\$ 18,237
Constuction in process	11,750
Other capital assets, net of depreciation	1,469,355

<b>Total capital assets</b>	<b>\$ 1,499,342</b>
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<b>Total Assets</b>	<b>\$ 9,297,348</b>
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**Liabilities and Net Position**

**Liabilities**

Accounts payable	\$ 152,368
Compensated absences	182,534
Accrued expenses	24,725

<b>Total Liabilities</b>	<b>\$ 359,627</b>
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**Net position**

Invested in capital assets	\$ 1,499,342
Restricted, expendable	544,162
Restricted, nonexpendable	560,608
Unrestricted	6,333,609

<b>Total Net Position</b>	<b>\$ 8,937,721</b>
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<b>Total Liabilities and Net Position</b>	<b>\$ 9,297,348</b>
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*The accompanying notes are an integral part of these financial statements.*

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY  
(A JOINT VENTURE OF THE CITY OF JONESBORO, AR AND CRAIGHEAD COUNTY, AR)**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	
<b>Functions/Programs</b>				
Governmental Activities				
Public Services	\$ 1,044,205	\$ 19,854	\$ 2,425	\$ (1,021,926)
Information technology	188,018	-	-	(188,018)
Administration	45,556	-	-	(45,556)
Maintenance and operations	2,090,148	-	-	(2,090,148)
Total governmental activities	<u>\$ 3,367,927</u>	<u>\$ 19,854</u>	<u>\$ 2,425</u>	<u>\$ (3,345,648)</u>
<b>General Revenue</b>				
Property taxes				\$ 4,095,503
State aid				202,501
Unrestricted investment earnings				188,187
Other general revenue				81,414
Total general revenue				<u>\$ 4,567,605</u>
Change in Net Position				\$ 1,221,957
<b>Fund Balance/Net Position:</b>				
Beginning of Year, as previously reported				7,610,764
Prior Period Adjustment, Note 13				105,000
End of Year				<u>\$ 8,937,721</u>

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

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY  
(A JOINT VENTURE OF THE CITY OF JONESBORO, AR AND CRAIGHEAD COUNTY, AR)**

**BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2020**

**Assets**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 6,139,042
Taxes receivable	554,194
<b>Restricted assets</b>	
Cash and investments - endowments	560,608
Cash and temporary investments-capital improvements	<u>544,162</u>
<b>Total Assets</b>	<u><u>\$ 7,798,006</u></u>

**Liabilities and Fund Balances**

<b>Liabilities</b>	
Accounts payable	\$ 152,368
Accrued expenses	<u>24,725</u>
<b>Total Liabilities</b>	<u>\$ 177,093</u>
<b>Fund Balances</b>	
Unassigned	\$ 6,516,143
Assigned	544,162
Nonspendable	<u>560,608</u>
<b>Total Fund Balances</b>	<u>\$ 7,620,913</u>

Amounts reported for governmental activities in the statement of net position are different due to:

Capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,110,052 and the accumulated depreciation is \$610,710. 1,499,342

Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds (182,534)

Net position of the governmental activities \$ 8,937,721

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

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY**  
**(A JOINT VENTURE OF THE CITY OF JONESBORO, AR AND CRAIGHEAD COUNTY, AR)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2020**

<b>Revenues</b>	
State aid	\$ 202,501
Property tax	4,095,503
Investment income	245,622
Memorials, gifts & endowments	2,425
City, Water & Light refund	23,936
Other revenue	19,897
	<b>\$ 4,589,884</b>
<b>Expenditures</b>	
Advertising	\$ 36,312
Auto & travel	10,278
Books, tapes & software	300,260
Computer operations	149,782
Equipment purchases	408,125
Employee benefits	418,322
Equipment repairs	13,235
Insurance	78,689
Maintenance - building & grounds	94,563
Payroll taxes	100,328
Postage	8,444
Salaries	1,599,295
Staff development	15,920
Supplies	219,651
Utilities	36,609
Miscellaneous expense	82,294
	<b>\$ 3,572,107</b>
Net change in fund balance	\$ 1,017,777
Prior Period Adjustment	105,000
Fund balance, beginning of year	6,498,136
	<b>\$ 7,620,913</b>
Amount reported for governmental activities in the statement of activities are different due to:	
Net change in fund balances - total governmental funds	\$ 1,017,777
Government funds report capital outlays as expenditures. However, in statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and loss on sale of equipment exceeded capital outlays in the current period.	286,439
Expenses reported in the statement of activities for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental fund.	(82,259)
Change in net position of governmental activities	<b>\$ 1,221,957</b>

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



**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**1) NATURE AND ORGANIZATION**

**Organization**

The Craighead County Jonesboro Public Library (the "Library") provides services to Craighead County, Arkansas and is jointly owned and operated by the City of Jonesboro, AR and Craighead County, AR per an agreement entered into in July of 1941 in accordance with Ark. Code Ann. 13-2-401. The agreement states that resources would be consolidated in order to provide more complete, efficient, and economical services. The County and City were given equal representation on the library board and each entity retained title to all books, bookcases, shelves, desks, etc. that were moved to the Library located at 315 West Oak Avenue in Jonesboro, AR. These financial statements represent only the activities of the Craighead County Jonesboro Public Library and are not intended to present financial positions, results of operations, or any other activities of the City of Jonesboro, AR or Craighead County, AR.

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Advertising**

Advertising costs are charged to operations when incurred. Advertising expense for the year ended December 31, 2020 was \$36,312.

**Basis of Accounting**

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the Library. Governmental activities, which are normally supported by intergovernmental revenues and taxes, are reported separately. The Library has no *business-type activities*.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or benefit from the services provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) interest income that is restricted for use on a particular function or segment. Unrestricted interest income and other items not included among program revenues are reported as *general revenues*.

The government-wide financial statements are reported using the economic resources *measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants, endowments, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the government-wide Statement of Net Position and the Statement of Revenues and Expenses, 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 current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. City and county millage are recorded as revenue when collected and

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

available to be remitted to the Library by tax collection agencies. Expenditures are recognized when the related fund liability is incurred. The Library has implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

**Non-spendable** - Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The restricted amounts are an endowment set up for the maintenance of the fish tanks.

**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 or a Library official that has been delegated authority may assign amounts for specific purposes. The assigned fund balance reflects amounts that are assigned for construction or other capital outlay projects by the Board.

**Unassigned** - Includes any remaining fund balance that has not been reported in any other classification.

The Library assumes that funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Unrestricted funds are considered spent in the following order as available; committed (if any), assigned, and then unassigned funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considered restricted funds to have been spent first, unless legal requirements disallow it or unrestricted funds will be lost if not utilized. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considered amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library has provided otherwise in its commitment or assignment actions.

The Library's net position is categorized as invested in capital assets, restricted expendable, restricted nonexpendable and unrestricted. The invested in capital assets consists of the capital assets owned by the Library. The restricted expendable category represents an endowment that the Board of Directors has restricted for capital improvements. The restricted nonexpendable category represents endowment funds with donor imposed restrictions for operations and maintenance. The unrestricted category includes amounts that do not meet the definition of invested in capital assets or restricted.

Expenditures generally are recorded when the liability is incurred, as under usual accrual accounting except debt related costs and other long-term liabilities which are recorded as expenditures when due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant certifications and requirements have been met and the amounts are considered available.

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

**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. The accompanying financial statements contain only the accounts of the Library.

**Cash and Cash Equivalents**

For purposes of the financial statements, the Library considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Date of Management Review**

The Library has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 8, 2021, which is the date the report was available for release.

**Fund Financial Statements**

For purposes of the financial statements, operations 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 this 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.

**Investments**

Investments in marketable securities with readily determinable fair values and any investments in debt securities are recorded at fair value with unrealized and realized gains and losses reported in the statement of activities. Investments are valued using the market approach which uses quoted market prices to measure the fair value of the reported investments which is in accordance with GASB 72.

**Capital Assets**

Capital Assets are recorded at cost or, if donated, at its fair value at the date of donation. If donors stipulate how long the assets must be used or how to use the proceeds from the sale of such assets, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The Library depreciates its assets using the straight-line method over the estimated useful lives of five to fifty years depending on the asset class. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Repairs and maintenance are expensed as incurred. Depreciation expense for the year ended December 31, 2020, was \$121,686.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates (continued)**

estimates included in these financial statements include the methods used in estimating the useful life of capital assets.

**Credit Risk**

Financial instruments, which potentially subject the Library to concentrations of credit risk, consist principally of temporary cash investments. The Library places its temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution.

**Property Taxes**

Property taxes are levied annually due to a two mill tax passed by Craighead County, Arkansas and City of Jonesboro residents which went into effect November, 1984 and November, 1994, respectively. Property taxes are collected by the County Tax Collector who then remits the money to the Craighead County Jonesboro Public Library System.

**Compensated Absences**

Library personnel policies make provisions for the granting of a specified number of days of leave with pay each year. There is no waiting period for the accrual or eligibility of use for paid time off (PTO) for both full time and part time employees. The paid time off accrual rate is determined based on the years of service as of an employee's anniversary date. Employees are paid up to one year of any unused PTO upon termination of employment.

**Budgets**

Budgeted amounts are as originally adopted, or as amended by the Board of Directors. The budget is prepared in November prior to the current year in which it applies. Budget to actual comparison reports are prepared and reviewed at each board meeting.

**Taxes Receivable**

Taxes receivable consists of property tax revenues received by the County Tax Collector as of December 31, 2020 but not yet remitted to the Library. As of December 31, 2020 the balance in taxes receivable was \$554,194 all of which is expected to be collected.

**Inexhaustible Collections and Books**

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Current year additions are charged against earnings as they are incurred.

**3) CASH DEPOSITS**

The carrying amount of the Library's deposits with financial institutions was \$6,139,042 and the bank balance was \$6,244,638 as of December 31, 2020. The difference between the bank balance and the carrying amount represents outstanding checks.

Amount insured by the FDIC or collateralized with securities held by the Library in its name	\$ 500,000
Amount collateralized with securities held by the pledging financial institution's agent in the Library's name	4,359,552
Uncollateralized	1,385,086
Total Bank Balance	<u>\$ 6,244,638</u>

State law generally requires that Library funds be deposited in federally (FDIC) insured banks in the State of Arkansas. The Library deposits may be in the form of checking accounts, savings account, and/or

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**3) CASH DEPOSITS (continued)**

time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

**4) ADJUSTMENTS FROM FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Land and capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the general fund. Capital outlays are reported as expenditures in the general fund. However, these assets are reported as capital assets in the Statement of Net Position and the costs of those assets are allocated over their useful lives and reported as depreciation expense in the Statement of Activities. The assigned and unassigned fund balance of the general fund is reported as net investments in capital assets and unrestricted net assets in the Statement of Net Position.

**5) TAXES RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Taxes receivable are city and county millage amounts and reimbursements due from the City of Jonesboro and Craighead County, Arkansas and do not bear interest. Assessing the collectability of accounts receivable requires management's judgement. Management did not record an allowance for doubtful accounts as of December 31, 2020. Upon determination that a receivable is uncollectible, the receivable balance is written off to the allowance for doubtful accounts.

**6) FAIR VALUE**

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following are the three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices in active markets for identical assets or liabilities

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the Library's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2020:

	Level			Carrying amount	Fair value
	1	2	3		
Balanced Fund Inc Class F1	\$ 61,182	\$ -	\$ -	\$ 61,182	\$ 61,182
Capital Income Class F1	395,240	-	-	395,240	395,240
Growth Fund America Class A	87,738	-	-	87,738	87,738
Autozone	117,359	-	-	117,359	117,359
Income Fund Amer Inc. Class A	105,249	-	-	105,249	105,249
Columbia Global Equity Class A	113,671	-	-	113,671	113,671
Washington Mutual Class A	173,868	-	-	173,868	173,868
Capital World Growth Class A	47,119	-	-	47,119	47,119
Money Market Cash balance	3,344	-	-	3,344	3,344
	<u>\$ 1,104,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,104,770</u>	<u>\$ 1,104,770</u>

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**6) FAIR VALUE (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or relative of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**7) RISK MANAGEMENT AND LITIGATION**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job-related illness or injuries to employees for which the Library carries commercial insurance purchased from independent third parties. The Library had no settlements in excess of insurance coverage in any of the prior three fiscal years.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**8) CAPITAL ASSETS**

Capital asset activity for years ended December 31, 2020 was as follows:

	Balance 1/1/2020	Transfers in and additons	Transfers out and retirements	Balance, 12/31/2020
Capital assets, not being depreciated:				
Land	\$ 18,237	\$ -	\$ -	\$ 18,237
Construction in process	9,421	11,750	(9,421)	11,750
Total capital assets, not being depreciated, net	<u>\$ 27,658</u>	<u>\$ 11,750</u>	<u>\$ (9,421)</u>	<u>\$ 29,987</u>
Capital assets, being depreciated:				
Buildings and other depreciable assets	\$ 1,674,269	\$ 405,796		\$ 2,080,065
Less accumulated depreciation	(489,024)	(121,686)		(610,710)
Total capital assets, being depreciated, net	<u>\$ 1,185,245</u>	<u>\$ 284,110</u>	<u>\$ -</u>	<u>\$ 1,469,355</u>
Total capital assets, net	<u>\$ 1,212,903</u>	<u>\$ 295,860</u>	<u>\$ (9,421)</u>	<u>\$ 1,499,342</u>

**9) EMPLOYEES RETIREMENT & PENSION COSTS**

Full time employees of the Craighead County Jonesboro Public Library participate in the Arkansas Public Employee Retirement System, a cost-sharing multiple-employer defined benefit plan qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. Employees become fully vested after five years of service to the Library. Employees who retire at or after 65 with 5 years of credited service are entitled to a retirement, payable monthly for life, computed as the difference between 1.625% of final average pay and 1.25% of Social Security primary benefit; plus, for each year of credited service resulting from employment in a position never covered by Social Security or another federal retirement plan, 1.625% of final average pay. Final average pay is equal to the employee's average salary over the three highest paid years. Vested employees may retire with full retirement benefits after 28 years of service or reduced benefits taken from either age 65 or 28 years of service. The Library is required by state statute to contribute 15.32% of the employees' salaries to the plan for the year ended December 31, 2020. A copy of the APERS financial statements can be found on the APERS website at [www.apers.org](http://www.apers.org) in the section labeled "Annual Reports".

**Craighead County Jonesboro Public Library**  
**(A Joint Venture of the City of Jonesboro and Craighead County, AR)**  
**Notes to the Financial Statements**

**9) EMPLOYEES RETIREMENT & PENSION COSTS (continued)**

For the year ended December 31, 2020, the Library's contribution to the plan was \$215,661.

Because the plan is a cost-sharing multiple-employer defined benefit pension plan, accounting principles generally accepted in the United States of America require the cost of employee's pensions to be recognized over the employee's respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of assets. APERS has provided the necessary information for Craighead County, Arkansas. We were unable to determine the specific amounts allocable to the Library.

**10) ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The accounts payable balance of \$152,368 is comprised of vendor payables. Accrued expenses of \$24,725 consists of salaries and benefits payable at December 31, 2020.

**11) ECONOMIC DEPENDENCY RISK**

Approximately 89% of the Library's revenue was provided by the City of Jonesboro and Craighead County, Arkansas millage collected from its residents. Thus, the continued success of the Library will be directly affected by millage collection rates and changes in population at both the city and county level. A reduction in funding from the City of Jonesboro and Craighead County could significantly impact operations of the Library.

**12) RELATED PARTY TRANSACTIONS**

Craighead County Jonesboro Public Library shares facilities with Crowley Ridge Regional Library. Craighead County Jonesboro Public library is providing facilities to Crowley Ridge Regional Library free of charge. Craighead County Jonesboro Public Library pays for the utilities and other overhead costs. The director of Craighead County Jonesboro Public Library is also the director of Crowley Ridge Regional Library.

**13) PRIOR PERIOD ADJUSTMENT**

The Library entered into an agreement to purchase a Bookmobile in September 2018 and accrued a liability of \$105,000 as of December 31, 2018. A payment of \$105,000 was incorrectly expensed for the year ending December 31, 2019, leaving the \$105,000 in accounts payable. Therefore, a prior period adjustment of \$105,000 has been made to correct the discrepancy which decreased accounts payable and increased the unrestricted net position.

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

To the Board of Directors  
Craighead County Jonesboro Public Library (A Joint Venture)  
Jonesboro, Arkansas

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 Craighead County Jonesboro Public Library (A Joint Venture) (the "Library") which comprise the statement of net position as of December 31, 2020, and the related statement of activities, balance sheet governmental fund, and statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2021.

**Internal Control Over Financial Reporting**

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

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

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 and 2020-02 that we consider to be material weaknesses.

2020-01 During the audit HCJ CPA's & Advisors, PLLC noted that the accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions are being performed by one employee, Craighead County Jonesboro Public Library's management did not segregate duties to adequately reduce the risks of fraud and error and appropriately safeguard assets, because of limited resources. We suggest that the accounting duties be segregated among employees to the extent possible.

2020-02 During the audit HCJ CPA's & Advisors, PLLC proposed fourteen journal entries to assist the Library in adjusting the books. These journal entries if not made would have resulted in material misstatement of the financial statements. The Library did not have controls in place to detect and correct these misstatements prior to the audit. We suggest that Library staff review the books prior to the audit and make the year-end adjustments.



### **Management's Response**

2020-01 Management responded and indicated that accounting duties relating to initiating, receipting, depositing, disbursing, and recording transaction will be segregated to the extent possible with current staffing levels.

2020-02 Management responded and indicated that they would review the records and adjust as needed prior to the audit.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

2020-03 During the audit, HCJ CPA's & Advisors, PLLC noted that the Library had prepaid its janitorial services. Governmental agencies are not allowed to prepay expenses, therefore HCJ suggests that the Library no longer prepay expenses.

### **Management's Response**

2020-03 Management responded that they were unaware that they were not allowed to prepay expenses. Now that they are aware of the issue, they will ensure that they no longer prepay expenses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Craighead County Jonesboro Public Library's Response to Findings**

Management's response to the findings identified in our audit is described above. Management'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC  
November 8, 2021