

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

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

with

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities of Craighead County Jonesboro Public Library (A Joint Venture) ("the Library"), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the Library, as of December 31, 2022 and 2021, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Matters Giving Rise to the Qualified Opinion

Management has not adopted an accounting policy to capitalize books and materials in the government-wide financial statements and management has not adopted Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* for the Library. 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. Accounting principles generally accepted in the United States of America require that assets, liabilities, deferred revenue, and deferred expenses for defined benefit pension plans have an actuarial study to determine the effect on net assets. The amount by which this departure would affect the assets, net position, and expenses has not been determined.

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.

Responsibilities of Management 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, 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.

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.

Auditor's 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 auditor's 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, 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.

HCI CPAs & Advisors, PLLC

Jonesboro, Arkansas

November 13, 2023

FINANCIAL STATEMENTS

CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY
(A JOINT VENTURE OF THE CITY OF JONESBORO, AR AND CRAIGHEAD COUNTY, AR)
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 7,364,648	\$ 5,982,930
Taxes receivable	262,378	426,667
Prepaid expenses	88,408	-
Total Current Assets	<u>\$ 7,715,434</u>	<u>\$ 6,409,597</u>
Capital Assets		
Land	\$ 18,237	\$ 18,237
Construction in process	-	801,382
Other capital assets, net of depreciation	2,068,138	1,353,799
Total Capital Assets	<u>\$ 2,086,375</u>	<u>\$ 2,173,418</u>
Restricted Assets - Long Term		
Cash and investments - endowments	\$ 717,040	\$ 737,034
Cash and temporary investments - capital improvements	556,397	629,827
Total Long Term Assets	<u>\$ 1,273,437</u>	<u>\$ 1,366,861</u>
Total Assets	<u>\$ 11,075,246</u>	<u>\$ 9,949,876</u>
 <u>LIABILITIES AND NET POSITION</u> 		
Current Liabilities		
Accounts payable	\$ 57,154	\$ 79,921
Compensated absences	138,739	142,631
Accrued expenses	33,147	37,301
Total Current Liabilities	<u>\$ 229,040</u>	<u>\$ 259,853</u>
Net Position		
Invested in capital assets	\$ 2,086,375	\$ 2,173,418
Restricted, expendable	556,397	629,827
Restricted, nonexpendable	717,040	737,034
Unrestricted	7,486,394	6,149,744
Total Net Position	<u>\$ 10,846,206</u>	<u>\$ 9,690,023</u>
Total Liabilities and Net Position	<u>\$ 11,075,246</u>	<u>\$ 9,949,876</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)**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
				<u>Governmental Activities</u>
Functions/Programs				
Governmental Activities				
Public services	\$ 2,675,977	\$ 32,443	14,890	\$ (2,628,644)
Information technology	165,960	-	-	(165,960)
Administration	87,414	-	-	(87,414)
Maintenance and operations	981,397	-	478,934	(502,463)
Total governmental activities	<u>\$ 3,910,748</u>	<u>\$ 32,443</u>	<u>\$ 493,824</u>	<u>\$ (3,384,481)</u>
General Revenue				
Property taxes				\$ 4,205,770
State aid				230,060
Unrestricted investment earnings				28,176
Other general revenue				76,658
Total general revenue				<u>\$ 4,540,664</u>
Change in Net Position				\$ 1,156,183
Fund Balance/Net Position:				
Beginning of Year, as previously reported				9,690,023
End of Year				<u>\$ 10,846,206</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)**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Functions/Programs				
Governmental Activities				
Public services	\$ 2,617,036	\$ 28,201	\$ 950	\$ (2,587,885)
Information technology	191,067	-	-	(191,067)
Administration	101,869	-	-	(101,869)
Maintenance and operations	869,265	-	-	(869,265)
Total governmental activities	<u>\$ 3,779,237</u>	<u>\$ 28,201</u>	<u>\$ 950</u>	<u>\$ (3,750,086)</u>
General Revenue				
Property taxes				\$ 4,034,987
State aid				203,826
Unrestricted investment earnings				304,994
Other general revenue				92,536
Total general revenue				<u>\$ 4,636,343</u>
Change in Net Position				\$ 886,257
Fund Balance/Net Position:				
Beginning of Year, as previously reported				8,803,766
End of Year				<u><u>\$ 9,690,023</u></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)**

**GOVERNMENTAL FUND BALANCE SHEETS
DECEMBER 31, 2022 AND 2021**

<u>ASSETS</u>	<u>General Fund 2022</u>	<u>General Fund 2021</u>
Current Assets		
Cash and cash equivalents	\$ 7,364,648	\$ 5,982,930
Taxes receivable	262,378	426,667
Prepaid expenses	88,408	-
Restricted assets		
Cash and investments - endowments	717,040	737,034
Cash and temporary investments-capital improvements	556,397	629,827
Total Assets	<u>\$ 8,988,871</u>	<u>\$ 7,776,458</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts payable	\$ 57,154	\$ 79,921
Accrued expenses	33,147	37,301
Total Liabilities	<u>\$ 90,301</u>	<u>\$ 117,222</u>
Fund Balances		
Unassigned	\$ 7,625,133	\$ 6,292,375
Assigned	556,397	629,827
Nonspendable	717,040	737,034
Total Fund Balances	<u>\$ 8,898,570</u>	<u>\$ 7,659,236</u>
Total Liabilities and Fund Balances	<u>\$ 8,988,871</u>	<u>\$ 7,776,458</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.	2,086,375	2,173,418
Certain long-term liabilities are not due and payable in the current period and are therefore not reported in the funds	<u>(138,739)</u>	<u>(142,631)</u>
Net position of the governmental activities	<u>\$ 10,846,206</u>	<u>\$ 9,690,023</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)
GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022

Revenues	
State aid	\$ 230,060
Property tax	4,205,770
Investment income	28,160
Memorials, gifts, and endowments	14,890
City Water and Light refund	8,846
CARES Act grant	478,934
Other revenue	100,271
	<u>\$ 5,066,931</u>
Expenditures	
Advertising	\$ 27,069
Auditing and professional fees	21,448
Auto and travel	22,250
Books, tapes, and software	551,916
Capital improvements	40,168
Computer operations	154,474
Equipment purchases	10,947
Employee benefits	510,444
Equipment repairs	21,416
Insurance	1,346
Maintenance - building and grounds	352,497
Payroll taxes	139,379
Postage	9,445
Salaries	1,840,420
Staff development	17,451
Supplies	66,843
Utilities	29,118
Miscellaneous expense	10,966
	<u>\$ 3,827,597</u>
Net change in fund balance	\$ 1,239,334
Fund balance, beginning of year	7,659,236
	<u>\$ 8,898,570</u>
Amount reported for governmental activities in the statement of activities are different due to:	
Net change in fund balances - total governmental funds	\$ 1,239,334
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.	(87,043)
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.	3,892
Change in net position of governmental activities	<u>\$ 1,156,183</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)
GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021

Revenues

State aid	\$	203,826
Property tax		4,034,987
Investment income		304,994
Memorials, gifts, and endowments		950
City Water and Light refund		14,652
Other revenue		106,085
	\$	4,665,494

Expenditures

Advertising	\$	43,508
Auditing and professional fees		29,633
Auto and travel		2,042
Books, tapes, and software		705,611
Capital improvements		789,632
Computer operations		154,808
Equipment purchases		18,359
Employee benefits		427,152
Equipment repairs		30,521
Insurance		56,676
Maintenance - building and grounds		178,876
Payroll taxes		138,578
Postage		2,884
Salaries		1,749,463
Staff development		29,650
Supplies		93,277
Utilities		17,487
Miscellaneous expense		25,059
	\$	4,493,216

Net change in fund balance	\$	172,278
Fund balance, beginning of year		7,486,958

Fund balance, end of year	\$	7,659,236
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Amount reported for governmental activities in the statement of activities are different due to:

Net change in fund balances - total governmental funds	\$	172,278
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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.

		674,077
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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.

		39,902
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Change in net position of governmental activities	\$	886,257
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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 AND CRAIGHEAD COUNTY, AR)**

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Reporting Entity

Organization

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's 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 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.

Note 2: Summary of Significant Accounting Policies

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 statements of net position and the statements 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 statements 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 statements of net position and the statements 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 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 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:

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

NOTES TO THE FINANCIAL STATEMENTS

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 (if any), 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. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2022 and 2021, was \$27,069 and \$43,508, respectively.

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 13, 2023, which is the date the report was available for release.

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.

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 years ended December 31, 2022 and 2021, was \$138,159 and \$133,914.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2022 and 2021, but not yet remitted to the Library. As of December 31, 2022 and 2021, the balance in taxes receivable was \$262,378 and \$426,667, respectively, all of which is expected to be collected.

Note 3: Cash Deposits

The carrying amount of the Library's deposits with financial institutions as of December 30, 2022 and 2021, was \$7,364,648 and \$5,982,930, respectively, and the bank balance was \$7,452,589 and \$6,256,489, respectively. As of December 31, 2022 and 2021, the difference between the bank balance and the carrying amount represents outstanding checks.

	2022	2021
Amount insured by the FDIC or collateralized with securities held by the Library in its name	\$ 449,974	\$ 442,771
Amount collateralized with securities held by the pledging financial institution's agent in the Library's name	7,002,615	5,813,718
Uncollateralized	-	-
Total Bank Balance	\$ 7,452,589	\$ 6,256,489

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

NOTES TO THE FINANCIAL STATEMENTS

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 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.

Note 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.

Compensated absences are report on the statement of net position as a current liability. Because these are not actual expenses during the year, compensated absences are not reported on the governmental fund balance sheets and are not included on the governmental statement of revenues, expenditures and changes in fund balance.

Note 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. Upon determination that a receivable is uncollectible, the receivable balance is written off to the allowance for doubtful accounts. Management did not record an allowance for doubtful accounts as of December 31, 2022 and 2021.

Note 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.

Following is a description of the valuation methodologies used for assets at value. There have been no changes in the methodologies used as of December 31, 2022 and 2021.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Money funds and mutual funds: Valued at the net asset value (NAV) of shares held by the Library at year end.

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NOTES TO THE FINANCIAL STATEMENTS

The following table presents the Library's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	2022				
	Level			Carrying amount	Fair value
	1	2	3		
Money market cash balance	\$ 4,854	\$ -	\$ -	\$ 4,854	\$ 4,854
Common stock	221,956	-	-	221,956	221,956
Mutual funds	1,046,627	-	-	1,046,627	1,046,627
	<u>\$ 1,273,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,273,437</u>	<u>\$ 1,273,437</u>
	2021				
	Level			Carrying amount	Fair value
	1	2	3		
Money market cash balance	\$ 4,168	\$ -	\$ -	\$ 4,168	\$ 4,168
Common stock	194,964	-	-	194,964	194,964
Mutual funds	1,167,729	-	-	1,167,729	1,167,729
	<u>\$ 1,366,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,366,861</u>	<u>\$ 1,366,861</u>

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.

Note 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.

**CRAIGHEAD COUNTY JONESBORO PUBLIC LIBRARY
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NOTES TO THE FINANCIAL STATEMENTS

Note 8: Capital Assets

Capital asset activity for years ended December 31, 2022 and 2021, was as follows:

	2022			
	Balance 1/1/2022	Transfers in and additions	Transfers out and retirements	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	\$ 18,237	\$ -	\$ -	\$ 18,237
Construction in process	801,382	-	(801,382)	-
Total capital assets, not being depreciated, net	<u>\$ 819,619</u>	<u>\$ -</u>	<u>\$ (801,382)</u>	<u>\$ 18,237</u>
Capital assets, being depreciated:				
Buildings and other depreciable assets	\$ 2,098,423	\$ 852,498	\$ -	\$ 2,950,921
Less accumulated depreciation	(744,624)	(138,159)	-	(882,783)
Total capital assets, being depreciated, net	<u>\$ 1,353,799</u>	<u>\$ 714,339</u>	<u>\$ -</u>	<u>\$ 2,068,138</u>
Total capital assets, net	<u>\$ 2,173,418</u>	<u>\$ 714,339</u>	<u>\$ (801,382)</u>	<u>\$ 2,086,375</u>
	2021			
	Balance 1/1/2021	Transfers in and additions	Transfers out and retirements	Balance 12/31/2021
Capital assets, not being depreciated:				
Land	\$ 18,237	\$ -	\$ -	\$ 18,237
Construction in process	11,750	789,632	-	801,382
Total capital assets, not being depreciated, net	<u>\$ 29,987</u>	<u>\$ 789,632</u>	<u>\$ -</u>	<u>\$ 819,619</u>
Capital assets, being depreciated:				
Buildings and other depreciable assets	\$ 2,080,065	\$ 18,358	\$ -	\$ 2,098,423
Less accumulated depreciation	(610,710)	(133,914)	-	(744,624)
Total capital assets, being depreciated, net	<u>\$ 1,469,355</u>	<u>\$ (115,556)</u>	<u>\$ -</u>	<u>\$ 1,353,799</u>
Total capital assets, net	<u>\$ 1,499,342</u>	<u>\$ 674,076</u>	<u>\$ -</u>	<u>\$ 2,173,418</u>

Note 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, 2022. A copy of the APERS financial statements can be found on the APERS website at 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

For the year ended December 31, 2022 and 2021, the Library's contribution to the plan was \$254,578 and \$223,883, respectively.

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.

Note 10: Accounts Payable and Accrued Expenses

The accounts payable balances as of December 31, 2022 and 2021, are comprised of vendor payables. Accrued expenses as of December 21, 2022 and 2021, consist of salaries and benefits payable.

Note 11: Economic Dependency Risk

During the years ended December 31, 2022 and 2021, approximately 83% and 88%, respectively, 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.

Note 12: Related Party Transactions

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

Note 13: Subsequent Events

In November 2022, Craighead County and the City of Jonesboro held votes to reduce funding given to the Library. Both votes passed, and starting in 2023, the Library will receive half of the funding generally given by Craighead County and the City of Jonesboro in prior years. As the Library is forward funded, this decrease in funding will affect the 2024 budget. The Library has historically received a total of approximately \$4,000,000 per year from Craighead County and the City of Jonesboro, and is expected to receive a total of approximately \$2,000,000 per year beginning in the year ended December 31, 2023. The board is in the process of assessing any budget cuts. This change will reduce revenues in the December 31, 2024 financial statements.

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") as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 13, 2023.

Report on 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-001 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Library's response to the findings identified in our audit as and accompanying schedule of reportable 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 Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCV CPAs & Advisors, PLLC

Jonesboro, Arkansas

November 13, 2023

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

SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

Findings Required to be Reported by Government Auditing Standards:

Reference Number	Findings
	<p style="text-align:center">Material Weaknesses</p>
2022-001	<p><i>Statement of Condition:</i> Lack of segregation of duties</p> <p><i>Criteria:</i> There should be a segregation of duties for all major accounting functions to ensure accounting records are materially and properly stated.</p> <p><i>Cause of condition:</i> Management has limited number of accounting personnel, and a full segregation of incompatible functions may not be feasible given available resources. Therefore, effective controls were not in place to mitigate the risk of material misstatement due to error or fraud.</p> <p><i>Effect of condition:</i> Major accounting functions are performed by one employee in multiple transaction cycles as follows:</p> <p style="padding-left: 40px;"><i>Initiating, receipting, depositing, disbursing, and recording transactions</i> – The business manager has conflicting duties, including access to checks, the ability to record payments and adjustments as well as the responsibility to monitor activity.</p> <p><i>Recommendation:</i> To ensure segregation of duties, management should consider hiring additional accounting staff or segregate incompatible accounting functions to the best of its abilities and remove access to certain functions within their accounting system from employees with monitoring duties.</p> <p><i>Views of responsible officials and planned corrective actions:</i> Management has chosen to accept inherent limitations in regard to segregation of duties for cost considerations. However, incompatible functions will be segregated to the fullest extent possible and management will continue to provide oversight.</p>
	<p style="text-align:center">Prior Year Findings and Responses</p>
2021-001	Lack of segregation of duties. The discussion for Finding 2023-001 also applies to this finding.
2021-002	During 2022, the Library was able to adjust their books prior to year end to prevent making as many journal entries. Therefore, this finding is no longer considered a material weakness.
2021-003	Numerous outstanding credit cards. HCJ noted that during the current year, the Library was diligent in closing unused credit cards, as well as implemented a control for a board member to review credit card statements periodically.