

Romeo District Library
Year Ended June 30, 2017

Audit Presentation
December 13, 2017

Presented by:
Aaron M. Stevens, CPA
Principal

The background of the slide is a blue-tinted photograph. On the left, a portion of a calculator is visible, showing buttons for '+', '=', and '+/-'. In the center and right, a pen with a silver tip and black barrel lies diagonally over a financial document. The document features a line graph with a grid and a jagged line representing data. Below the graph, there are tables with columns labeled 'Pct. chg. Day' and 'Tues. 142.78'.

SETTING THE STANDARD FOR QUALITY
GOVERNMENTAL AUDITS

ROMEO DISTRICT LIBRARY

AUDIT PRESENTATION

JUNE 30, 2017

I INTRODUCTION

II FINANCIAL STATEMENTS

- A. Independent Auditor's Report
- B. Basic Financial Statements
 - 1. Government-wide Financial Statements
 - a. Statement of Net Position
 - b. Statement of Activities
 - 2. Fund Financial Statements
 - a. Governmental Funds Balance Sheet
 - b. Five Year Analysis – General Fund Revenues, Expenditures, and Fund Balance
 - c. Five Year Analysis – Components of Fund Balance
 - d. Five Year Analysis – Fund Balance as a Percentage of Expenditures
 - e. Statement of Revenues, Expenditures, and Changes in Fund Balance
 - f. General Fund Revenue and Expenditure Detail – 2017

III INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

IV QUESTIONS

V CONCLUSION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Romeo District Library
Washington, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Romeo District Library (the Library) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Romeo District Library as of June 30, 2017, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in employer's net pension liability and related ratios, and schedule of contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

December 1, 2017

Romeo District Library

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,563,991
Investments	560,789
Due from other governmental units	22,314
Prepays	<u>3,765</u>
Total current assets	2,150,859
Noncurrent assets	
Investments	299,706
Capital assets not being depreciated	236,733
Capital assets, net of accumulated depreciation	<u>4,360,863</u>
Total noncurrent assets	<u>4,897,302</u>
TOTAL ASSETS	7,048,161
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	137,006
LIABILITIES	
Current liabilities	
Accounts payable	123,420
Accrued wages	29,708
Accrued liabilities	4,394
Compensated absences	<u>82,774</u>
Total current liabilities	240,296
Noncurrent liabilities	
Net pension liability	<u>628,211</u>
TOTAL LIABILITIES	868,507
NET POSITION	
Investment in capital assets	4,597,596
Unrestricted	<u>1,719,064</u>
TOTAL NET POSITION	<u>\$ 6,316,660</u>

Romeo District Library

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Recreation and culture	<u>\$ 1,962,971</u>	<u>\$ 41,428</u>	<u>\$ 13,524</u>	\$ (1,908,019)
		General revenues		
				2,057,382
				57,093
				4,380
				<u>24</u>
			Total general revenues	<u>2,118,879</u>
			Change in net position	210,860
			Net position, beginning of year	<u>6,105,800</u>
			Net position, end of year	<u><u>\$ 6,316,660</u></u>

Romeo District Library

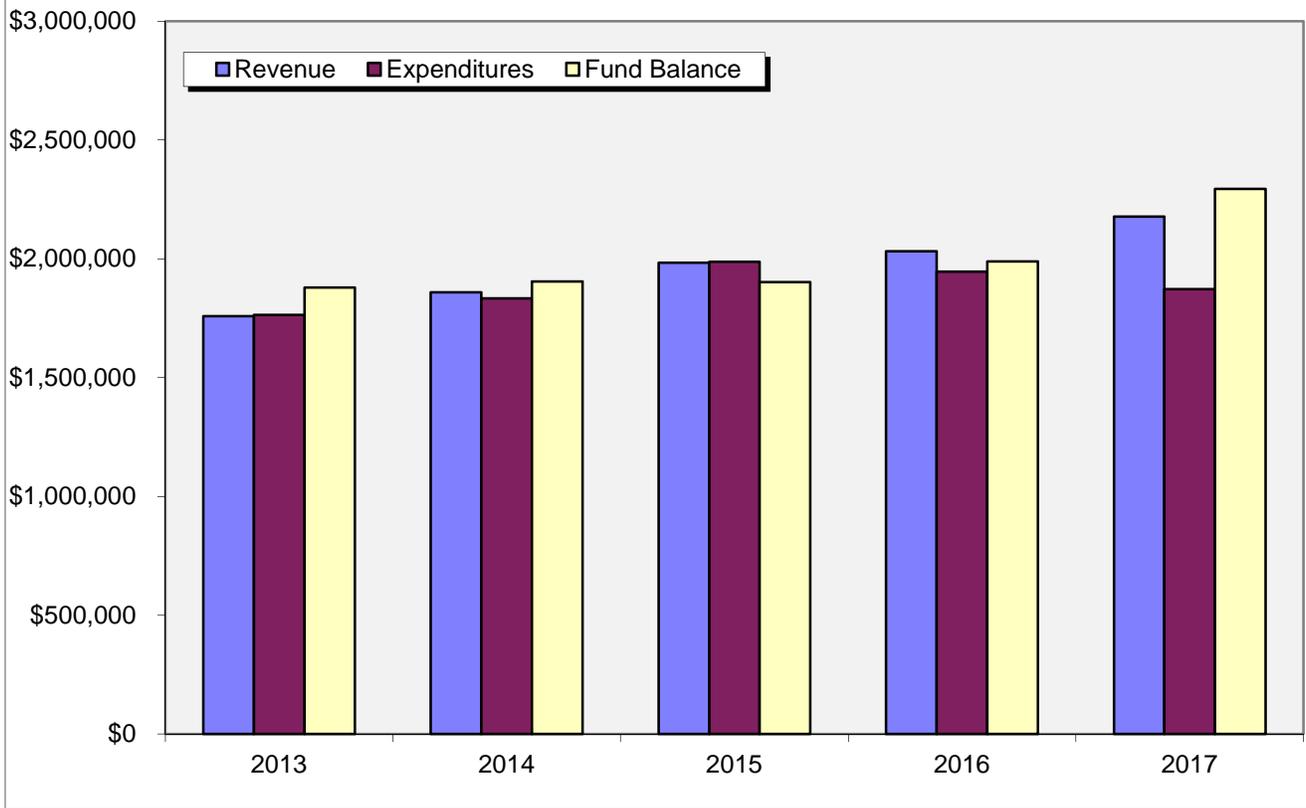
Governmental Fund

BALANCE SHEET

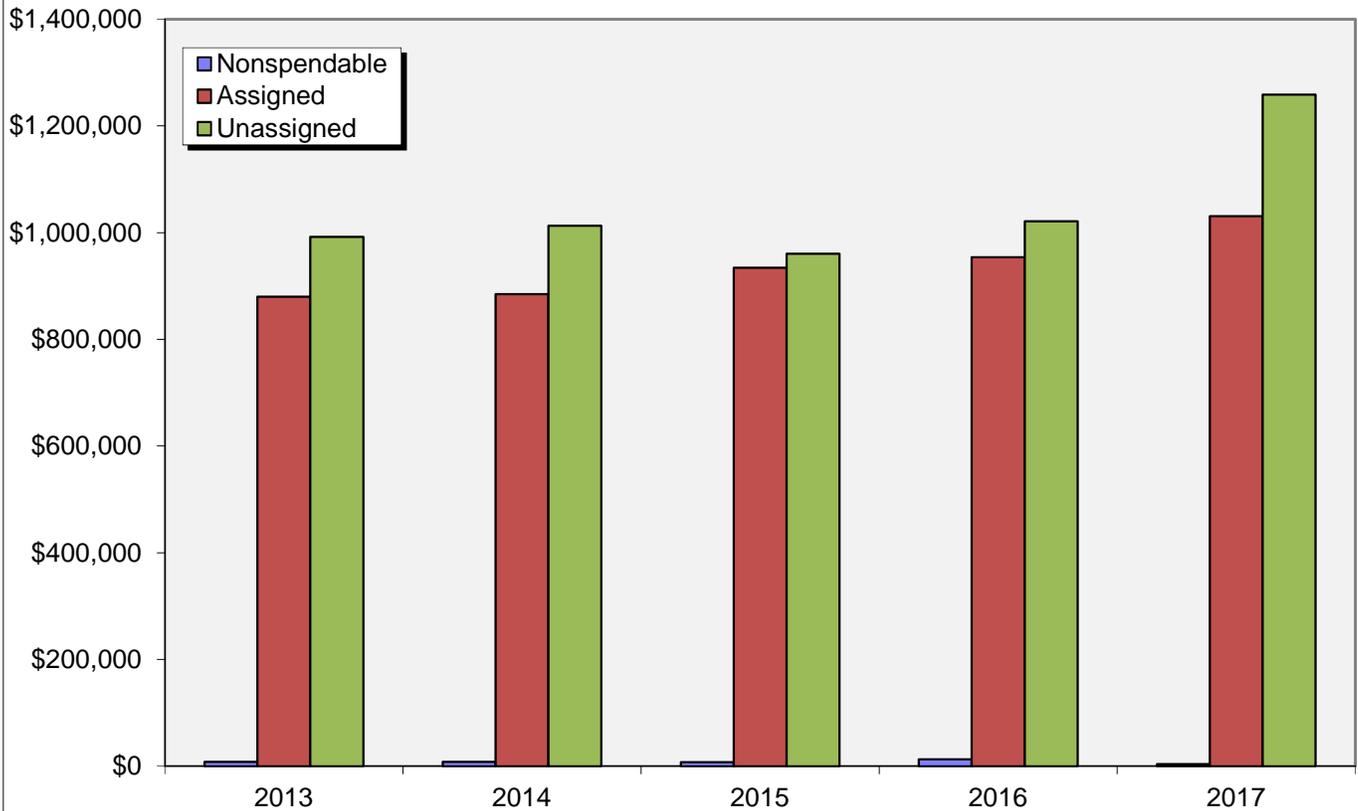
June 30, 2017

	<u>General</u>
ASSETS	
Cash	\$ 1,563,991
Investments	860,495
Due from other governmental units	22,314
Prepays	<u>3,765</u>
TOTAL ASSETS	<u>\$ 2,450,565</u>
LIABILITIES	
Accounts payable	\$ 123,420
Accrued wages	29,708
Other accrued liabilities	<u>4,394</u>
TOTAL LIABILITIES	157,522
FUND BALANCE	
Nonspendable	3,765
Assigned	
Property taxes collected to fund subsequent year's expenditures	1,030,774
Unassigned	<u>1,258,504</u>
TOTAL FUND BALANCE	<u>2,293,043</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,450,565</u>

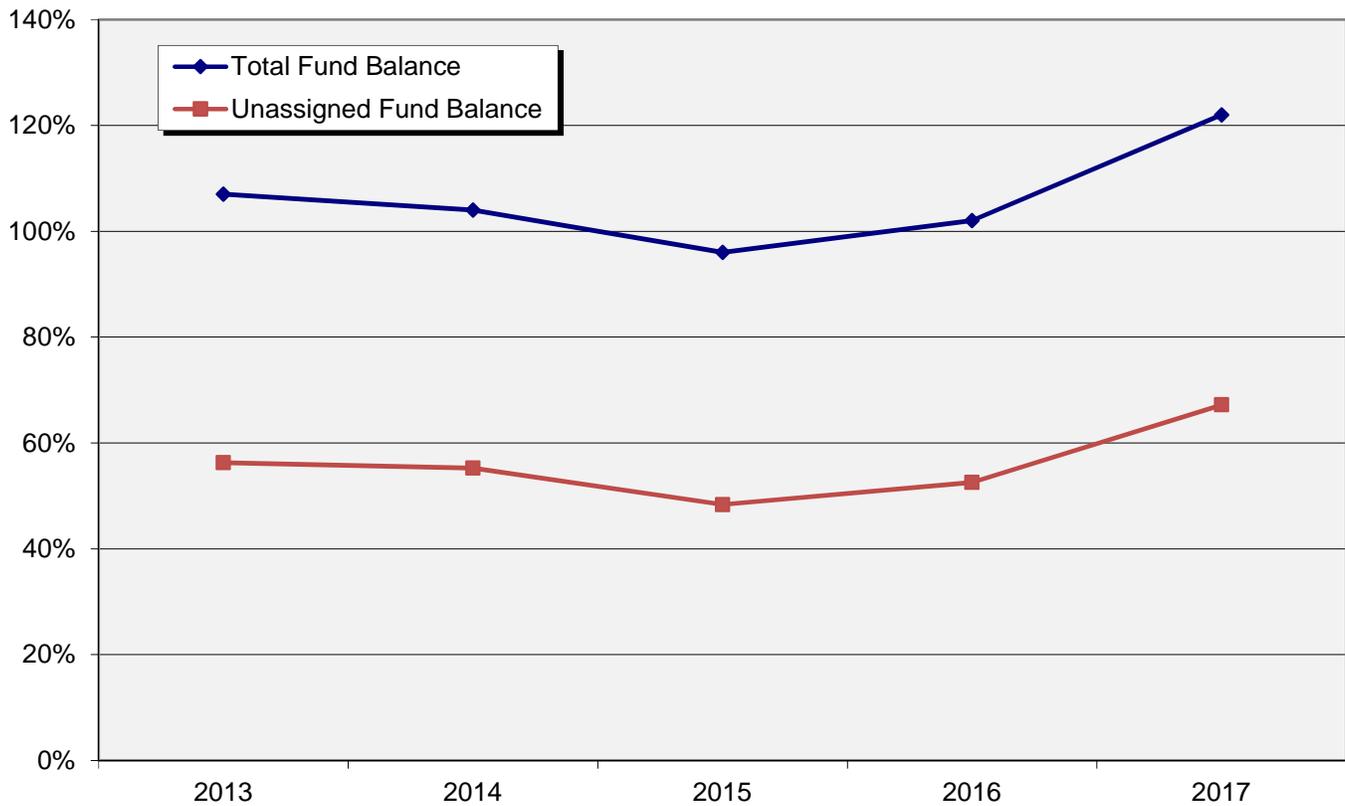
Romeo District Library General Fund Revenues, Expenditures, and Fund Balance



Romeo District Library Components of Fund Balance



Romeo District Library Fund Balance as a Percentage of Expenditures



Romeo District Library

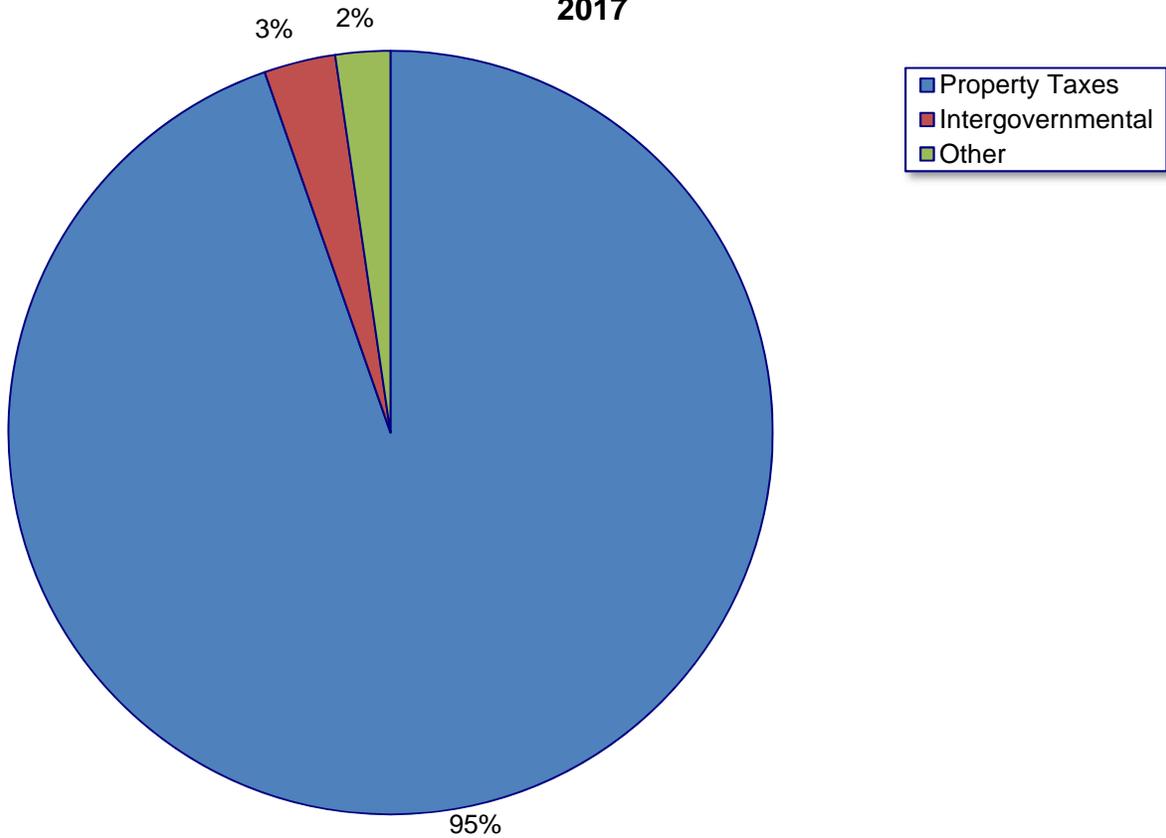
Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

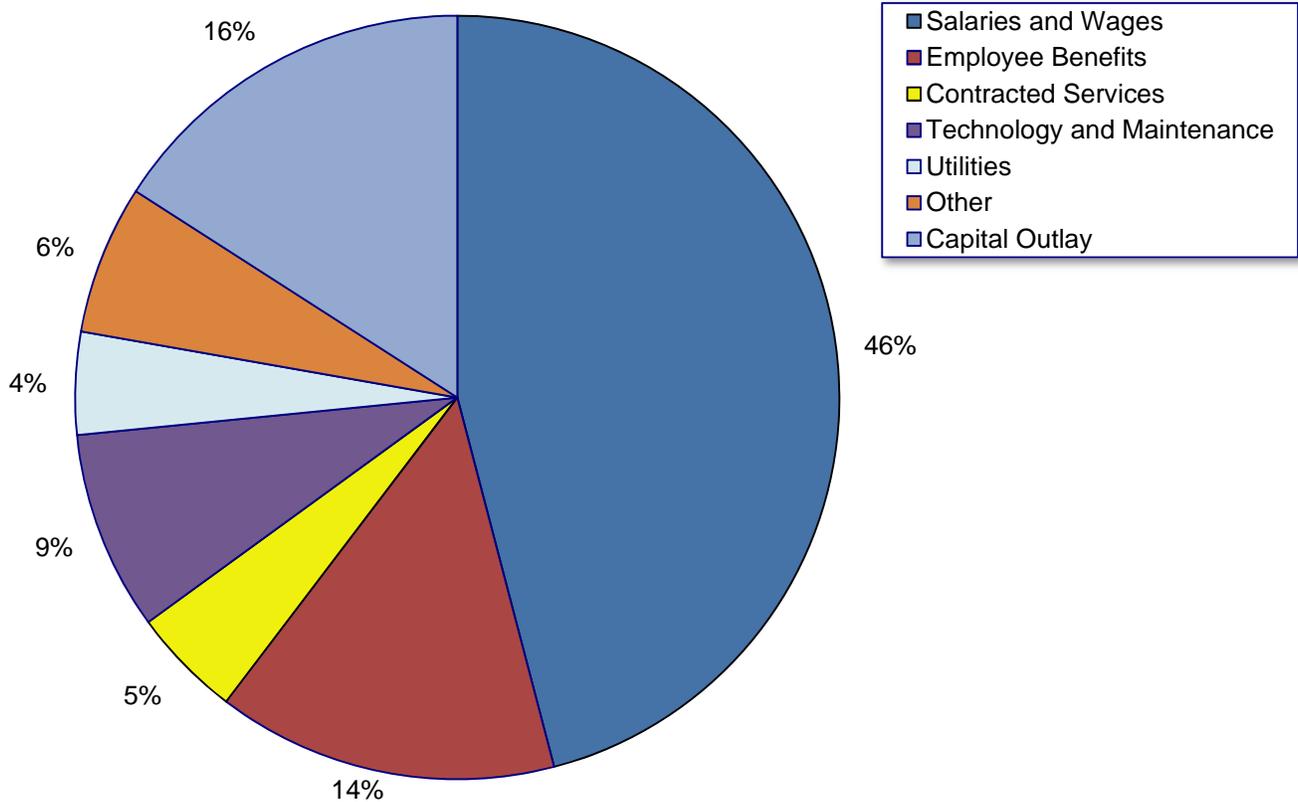
Year Ended June 30, 2017

	<u>General</u>
REVENUES	
Property taxes	\$ 2,061,548
State aid	22,128
Penal fines	29,981
Book fines	33,693
Interest income	4,380
State shared revenue and grants	13,820
Service fees	7,735
Gifts and memorials	4,688
Other	<u>24</u>
 TOTAL REVENUES	 2,177,997
EXPENDITURES	
Current	
Recreation and culture	
Salaries and wages	860,206
Employee benefits	270,039
Supplies	38,358
Contracted services	87,188
Technology and maintenance	158,093
Utilities	81,166
Public relations	8,995
Other charges	27,227
Library services and materials	43,833
Capital outlay	<u>298,027</u>
 TOTAL EXPENDITURES	 1,873,132
 NET CHANGE IN FUND BALANCE	 304,865
 Fund balance, beginning of year	 <u>1,988,178</u>
 Fund balance, end of year	 <u><u>\$ 2,293,043</u></u>

**Romeo District Library
General Fund Revenues
2017**



**Romeo District Library
General Fund Expenditures
2017**





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Trustees and Management
Romeo District Library
Washington, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Romeo District Library (the Library) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Library's internal control to be material weaknesses:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditors. These misstatements were not detected by the Library's internal control over financial reporting. These entries were necessary to adjust cash, accounts payable, accrued wages, and beginning fund balance. Through discussions with management it was noted that the current financial accounting software did not allow adjustments to fund balance accounts but subsequent to year end the Library has converted to a financial accounting software that does.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Library take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

BANK RECONCILIATIONS

The Library's current process for preparing the bank reconciliations each month is to use the general ledger software to perform the reconciliation. We noted that while bank reconciliations were being completed through the software, the reconciled cash balances did not agree to the general ledger balances for cash. Inconsistencies exist between the bank reconciliation reports and the general ledger balances generated by the software. Without the Library being able to place solid reliance on the software system, this opens up the possibility for errors in the accounting records. A similar issue was noted and reported in the prior year report.

We recommend that the Library reconcile the cash balances for all accounts and perform a detailed review of the bank reconciliations to ensure accuracy. The conversion to the new software system should also improve the reconciliation process.

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 following deficiencies in the Library's internal control to be significant deficiencies:

CREDIT CARD PROCEDURES

We noted that while the Library does have policies in place over the use of credit cards there are opportunities for improvement in controls related to items purchased using a credit card. Specifically, we noted two (2) instances where a receipt supporting the transaction was not attached to the credit card statement. Subsequent to testing the Library was able to provide replacements for the missing receipts.

We recommend that the Library evaluate procedures related to the usage of credit cards to assure the Library's policy, including the retention of required documentation, is being followed.

JOURNAL ENTRY REPORT

We noted that the Library's current financial accounting software does not have the ability to generate a manual journal entry report. Through discussions with management we noted the Library has converted to a new accounting software that has this capability subsequent to year end which has this capability.

We recommend that a report of manual journal entries is generated on a periodic basis and reviewed for accuracy and appropriateness by management.

DEPOSITS

We noted that the Library holds onto deposits for an excessive amount of time before making deposits. We noted instances where checks received were not deposited until 40 days after being received and other instances that were between 19 and 36 days before the deposit was made.

We recommend the Library deposit receipts at least weekly.

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 provision of laws, regulations, and contracts, 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.

This communication is intended solely for the information and use of management and the Board of Trustees of the Romeo District Library, others within the Library, and applicable departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

December 1, 2017

Questions?

Thank you for your time.

Aaron M. Stevens, CPA
Stevens, Kirinovic & Tucker, P.C.
3511 Coolidge Road, Suite 100
East Lansing, MI 48823
(517) 351-6836



STEVENS KIRINOVIC & TUCKER P.C.