

GALAX-CARROLL REGIONAL LIBRARY

**FINANCIAL STATEMENT
CASH BASIS**

FOR THE YEAR ENDED JUNE 30, 2023

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Independent Auditors' Report

To the Members of the Board of Trustees
Galax-Carroll Regional Library
Galax, Virginia

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Galax-Carroll Regional Library for the year ended June 30, 2023, and the related notes to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of Galax-Carroll Regional Library for the year ended June 30, 2023, in accordance with the cash basis of accounting as described in Note 1.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Galax-Carroll Regional Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statement

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

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 statement, 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 statement.
- 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 Galax-Carroll Regional 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Galax-Carroll Regional 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 September 22, 2023, on our consideration of Galax-Carroll Regional 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 Galax-Carroll Regional 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 Galax-Carroll Regional Library's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Blacksburg, Virginia
September 22, 2023

FINANCIAL STATEMENT

GALAX-CARROLL REGIONAL LIBRARY

Statement of Cash Receipts and Disbursements

For the Year Ended June 30, 2023

Cash Receipts:

| | |
|---|-----------------------|
| Charges for services | \$ 21,892 |
| Miscellaneous | 431 |
| Contributions/gifts | 4,605 |
| Contributions from participating localities | 410,722 |
| Intergovernmental | <u>222,923</u> |
| Total Cash Receipts | \$ <u>660,573</u> |

Cash Disbursements:

Parks, Recreation and Cultural:

| | |
|--------------------------|---------------|
| Salaries | \$ 297,923 |
| Fringes | 90,435 |
| Books and periodicals | 58,885 |
| Supplies | 25,729 |
| Advertising | 655 |
| Insurance | 3,634 |
| Utilities | 28,802 |
| Telephone and internet | 13,781 |
| Travel | 416 |
| Continuing education | 447 |
| Postage | 2,269 |
| Maintenance and cleaning | 43,315 |
| Miscellaneous | 4,712 |
| Professional services | 4,800 |
| Contractual services | 8,619 |
| Programs and promotions | 6,894 |
| Audio visual | 13,515 |
| Computer services | 6,253 |
| Equipment and furniture | 25,795 |
| Foundation expenditures | 3,000 |
| CARES/ARPA expenditures | 16,761 |
| Digital materials | <u>15,096</u> |

| | |
|---------------------------------|------------------------------|
| Total Cash Disbursements | \$ <u>671,736</u> |
| Increase (decrease) in cash | \$ (11,163) |
| Beginning cash | <u>184,933</u> |
| Ending cash | \$ <u><u>173,770</u></u> |

The accompanying notes to financial statement are an integral part of this statement.

GALAX-CARROLL REGIONAL LIBRARY

NOTES TO FINANCIAL STATEMENT
JUNE 30, 2023

Note 1-Summary of Significant Accounting Policies:

As discussed in Note 1.B, this financial statement is presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). This cash basis financial statement meets the disclosure requirements applicable to GAAP, in substance, but is limited to the elements presented in the financial statement and the constraints of the measurement and recognition criteria of the cash basis of accounting.

A. Financial Reporting Entity

As provided in Section 42.1-37 of the Code of Virginia, the Galax-Carroll Regional Library operates a library that serves the two localities. The library has locations in the City of Galax and the County of Carroll. The Library is governed by a six member board of trustees, three of which are appointed from the Carroll County Board of Supervisors and three are appointed from the Galax City Council.

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and under different circumstances, how component units must be presented. In defining the Library as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Library where the Library has the ability to access a majority of those resources and those resources are significant to the Library. Based on these criteria, the Library does not have any component units, nor is the Library considered a component unit of any of the participating jurisdictions. Therefore, this financial statement is for the primary entity only.

B. Basis of Accounting

The financial statement is presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

GALAX-CARROLL REGIONAL LIBRARY

**NOTES TO FINANCIAL STATEMENT
JUNE 30, 2023 (CONTINUED)**

Note 2-Related Party Transactions:

The Library occupies its present locations at no annual rental fee. These locations, excluding the new library in Galax, are owned by the City of Galax and the County of Carroll and are reported as such on their financial statements. The new Galax library was constructed by contributions from the Galax-Carroll Regional Library Foundation and a Community Facilities Loan issued by the City of Galax, Virginia. The Library owns the facility; however, the cost is not reported on the financial statement because the Library is reporting on the cash basis. The City is responsible for repayment of the loan; as such, the liability and debt service is reported on the City's financial statements. The estimated fair rental value of all premises is not reflected in this financial statement as it does not meet the criteria for reporting.

Library employees of the branch located in Hillsville, Virginia are paid directly by the County of Carroll. The County deducts salary and fringe benefit expense from its monthly appropriation to the Library. Employees of the branch located in Galax, Virginia are paid by the City of Galax. In return, the Library reimburses the City monthly for the salary expenses incurred.

Note 3-Deposits and Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities:

The Library's does not have an investment policy. The Library's rated debt investments as of June 30, 2023 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

| Library's Rated Debt Investments' Values | |
|---|------------------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| LGIP | \$ 177,895 |

Concentration of Credit Risk:

At June 30, 2022, the Library did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Note 3-Deposits and Investments (continued):

External Investment Pools:

The fair value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

Interest Rate Risk:

The Library’s investment maturities as of June 30, 2023 are listed below.

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| | Investment Maturities (in years) | |
|------|----------------------------------|------------------|
| | Fair Value | Less than 1 year |
| LGIP | \$ 177,895 | \$ 177,895 |

Note 4-Risk Management:

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past five years.

COMPLIANCE



**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***

**To the Members of the Board of Trustees
Galax-Carroll Regional Library
Galax, Virginia**

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 accompanying statement of cash receipts and disbursements of the Galax-Carroll Regional Library for the year ended June 30, 2023, and the related notes to the financial statement and have issued our report thereon dated September 22, 2023, which included a paragraph emphasizing that the financial statement is prepared on the cash basis, which is an other comprehensive basis of accounting.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Galax-Carroll Regional Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Galax-Carroll Regional Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Galax-Carroll Regional Library's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Galax-Carroll Regional Library's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Finner, Cox Associates

Blacksburg, Virginia
September 22, 2023