

VALLEY CITY-BARNES COUNTY LIBRARY
VALLEY CITY, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016, AND 2015

Valley City-Barnes County Library
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VALLEY CITY-BARNES COUNTY LIBRARY
LIST OF OFFICIALS
DECEMBER 31, 2016

CITY COUNCIL

Office

Kalyn Botz	President
Mike Metcalf	Vice-president
Liz Chandler	
Margaret Dahlberg	
Melissa Remick	
Dave Carlsrud	

EMPLOYEES:

Steve Hammel	Director
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Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Governing Board
Valley City- Barnes County Library
Valley City, North Dakota

I have audited the accompanying cash basis financial statements of the governmental activities, each major fund of Valley City- Barnes County Library as of and for the years ended December 31, 2016, and 2015, 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, of Valley City- Barnes County Library as of December 31, 2016 and 2015, and the changes in cash basis financial position and cash flows, where applicable, thereof for the years then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated December 20, 2019, on my considerations of the Library's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.



West Fargo, North Dakota
December 20, 2019

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION- CASH BASIS
DECEMBER 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	337,045.94
Total Assets	337,045.94
LIABILITIES	
Total liabilities	-
NET POSITION	
Unrestricted	337,045.94
Total Net Position	337,045.94

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

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
 STATEMENT OF ACTIVITIES- CASH BASIS
 YEAR ENDED DECEMBER 31, 2016

		Program Revenues		Net (expense) Revenue & Change: in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Program	282,596.35			(282,596.35)
Total Governmental Activities	282,596.35	-	-	(282,596.35)

General Revenues

Property taxes	276,547.58
State aid	22,393.50
Fundraisers	-
Grants	
Contributions	5,783.57
Interest income	6,928.01
Copy machine	1,645.74
Fines	2,403.51
Other revenue	3,906.59
Total General Revenues	319,608.50
Change in Net Position	37,012.15
Net Position- Beginning	300,033.79
Net Position- Ending	337,045.94

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

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
BALANCE SHEET-CASH BASIS- GOVERNMENTAL FUNDS
DECEMBER 31, 2016

GENERAL

ASSETS

Cash and investments	337,045.94
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Total Assets	337,045.94
--------------	------------

LIABILITIES

Total liabilities	-
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NET POSITION

Unreserved	337,045.94
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Total Net Position	337,045.94
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-CASH BASIS- GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016

GENERAL

Property taxes	276,547.58
Intergovernmental	22,393.50
Interest	6,928.01
Charges for services	-
Contributions	5,783.57
Miscellaneous	7,955.84
Total Revenues	319,608.50

Current:	
Program	
Library	282,596.35

Total Expenditures	282,596.35
Excess revenues (expenditures)	37,012.15
Other Financing Sources (Uses):	
Transfers in	
Transfers out	
Total other financing sources and uses	-
Net change in fund balances	37,012.15
Fund Balance- January 1	300,033.79
Fund Balance- December 31	337,045.94

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

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION- CASH BASIS
DECEMBER 31, 2015

Governmental
Activities

ASSETS

Cash and investments

300,033.79

Total Assets

300,033.79

LIABILITIES

-

Total liabilities

-

NET POSITION

Unrestricted

300,033.79

Total Net Position

300,033.79

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

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
 STATEMENT OF ACTIVITIES- CASH BASIS
 YEAR ENDED DECEMBER 31, 2015

		Program Revenues		Net (expense) Revenue & Change in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Program	313,386.98			(313,386.98)
Total Governmental Activities	313,386.98	-	-	(313,386.98)
	General Revenues			
	Property taxes			261,275.55
	State aid			20,810.00
	Fundraisers			-
	Grants			7,500.00
	Contributions			3,616.64
	Interest income			224.17
	Copy machine			1,473.70
	Fines			2,176.73
	Other revenue			3,181.83
	Total General Revenues			300,258.62
	Change in Net Position			(13,128.36)
	Net Position- Beginning			313,162.15
	Net Position- Ending			300,033.79

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

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
BALANCE SHEET-CASH BASIS- GOVERNMENTAL FUNDS
DECEMBER 31, 2015

GENERAL

ASSETS

Cash and investments	300,033.79
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Total Assets	300,033.79
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LIABILITIES

Total liabilities	-
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NET POSITION

Unreserved	300,033.79
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Total Net Position	300,033.79
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY BARNES COUNTY PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-CASH BASIS- GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015

GENERAL

Property taxes	261,275.55
Intergovernmental	20,810.00
Interest	224.17
Charges for services	-
Contributions	3,616.64
Miscellaneous	14,332.26
Total Revenues	300,258.62

Current:	
Program	
Library	313,386.98

Total Expenditures	313,386.98
Excess revenues (expenditures)	(13,128.36)

Net change in fund balances	(13,128.36)
Fund Balance- January 1	313,162.15
Fund Balance- December 31	300,033.79

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

VALLEY CITY-BARNES COUNTY LIBRARY
VALLEY CITY, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley City-Barnes County Library (Library) have been prepared on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Library. The Library has considered all potential component units for which the Library is financially accountable and other organizations for which the nature and significance of their relationships with the Library such that exclusion would cause the Library's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Library to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library.

Based on the above criteria the Library no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The Library currently has no fiduciary funds.

The Library reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the Library and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

are classified as non-operating in the financial statements.

Under the terms of grant agreements, the Library funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Library's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

The Library does not prepare a formal budget.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Investments consist of certificates of deposits stated at cost.

F. Capital Assets

The Library does not maintain fixed asset records.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

H. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

The Library does not prepare a formal budget.

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the Library maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, instrumentalities, or by any Library, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At December 31, 2016, the Library's carrying amount of deposits was \$337,046. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$87,046 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the Library to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

VALLEY CITY-BARNES COUNTY LIBRARY
NOTES TO FINANCIAL STATEMENTS- CONTINUED

Concentration of Credit Risk

The Library does not have a limit on the amount it may invest in any one issuer.

NOTE 4: PROPERTY TAXES

The Library does not levy taxes. Valley City and Barnes County levy a tax for the Library and remit their collections.

NOTE 5: RISK MANAGEMENT

The Library is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Library pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. The State Bonding Fund currently provides the Library with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage. The Library has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

VALLEY CITY- BARNES COUNTY LIBRARY

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2016

VALLEY CITY- BARNES COUNTY LIBRARY

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Harold J. Rotunda

Certified Public Accountant

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*

Independent Auditor's Report

Governing Board
Valley City- Barnes County Library
Valley City, North Dakota

I 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 the governmental activities, each major fund of Valley City- Barnes County Library as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Valley City- Barnes County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

Compliance and Other Matters

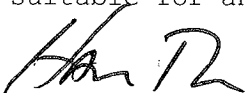
As part of obtaining reasonable assurance about whether Valley City- Barnes County Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Library's Response to Findings

Valley City- Barnes County Library's response to the finding identified in my audit is described in the accompanying schedule of findings. Valley City- Barnes County Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA

December 20, 2019

VALLEY CITY- BARNES COUNTY LIBRARY
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses?	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the Library's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

VALLEY CITY- BARNES COUNTY LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Recommendation

While I recognize that the Library office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the Library.

Client Response

At the present time, the Library has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.