

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2016

WITH

Independent Auditors' Report

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2016

WITH

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Carroll County Public Library District
Carrollton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Carroll County Public Library District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Carroll County Public Library District'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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2017 on our consideration of Carroll County Public Library District'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 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 internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Public Library District's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

Ft. Wright, KY
June 29, 2017

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

Notes to the Financial Statements

The notes to the financial statements provide an expanded explanation that is essential to a full understanding of the data provided in the government-wide financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget. This information can be found on pages 29 through 30 of this report.

Basis of accounting

All funds of the Carroll County Public Library District are maintained using the modified accrual basis of accounting, which is recommended by the Governmental Accounting Standards Board.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The District's combined net position decreased between FY 2015 and FY 2016 by \$84,912 or 4.95%. As shown in Table 1 on page 6, the FY 2015 amounts have been restated to reflect the effects of the prior period adjustment described in Note 7 to the basic financial statements related primarily to the adoption of Government Accounting Standards Board Statement Nos. 68 and 71. The majority of the District's assets (49.86%) are invested in deposits within several financial institutions.

The vast majority (89.57%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The District also carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with attention to opportunities to increase yield. The District realized \$13,766 in interest revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$100,390 or 10.43% of total revenue. Table 2 on page 6 shows the change in net position for FY 2016 and FY 2015. The FY 2015 amounts have been restated to reflect the effects of the prior period adjustment described in Note 7.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At the close of the fiscal year, the Library District's governmental funds reported balances of \$1,679,198, a decrease of \$47,640 from the previous year.

General Fund Budgetary Highlights

Revenues - Actual general fund revenues were more than budgeted revenues by \$82,881, or 9.41%.

Expenses - Actual general fund expenses were less than budgeted expenses by \$140,879, or 12.23%.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets equaled \$398,938 as of June 30, 2016. During the year, capital assets valued at \$109,260 were added while depreciation during the period was \$110,164. Further information about the District's capital assets can be found in Note 4 on page 19 of this report.

Long-term Debt

At fiscal year end, the District had no long-term borrowing debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year beginning July 1, 2016, general operating revenues are expected to be \$905,500. \$800,000 is budgeted for real estate, personal property, and motor vehicle taxes (88.35% of the total general operating revenue) based on estimates from the Kentucky Department for Local Government and the Kentucky Department for Libraries and Archives. In order to maintain service at the current level, the Board approved a tax rate of 10 cents per \$100 assessed valuation of real property, 10 cents per \$100 assessed valuation of personal property, and 3.23 cents per \$100 assessed valuation of motor vehicles.

The remaining 12% of the general operating revenue is composed of 6 miscellaneous sources. Of these categories, fines and fees for late library materials represents \$16,000, or 1.77% of the general operating revenue, interest on deposits represent \$5,000, or 0.55% of the general operating revenue, state aid, which includes the construction grant, represents \$80,000, or 8.83% and other miscellaneous sources represent \$4,500, or .5%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and demonstrates the District's accountability for all money it receives. Please direct any questions you have about this report to Hillary Arney, Director, Carroll County Public Library District, 136 Court Street, Carrollton, KY 41008 or by calling 502-732-7020.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>	<u>Component</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>	
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net Position</u>	<u>Unit</u>
			<u>Contributions</u>	<u>Governmental</u>	
				<u>Activities</u>	
PRIMARY GOVERNMENT:					
Governmental Activities					
Personnel	\$ 514,469	\$ -	\$ -	\$ (514,469)	
Depreciation	110,164	-	-	(110,164)	
Facility	186,645	-	-	(186,645)	
Materials	28,655	-	-	(28,655)	
Programs	57,360	-	-	(57,360)	
Operating	150,286	-	-	(150,286)	
Revenue	-	27,565	72,825	100,390	
Total governmental activities	1,047,579	27,565	72,825	(947,189)	
COMPONENT UNIT:					
Foundation	95,217	102,180	3,065		10,028
GENERAL REVENUES:					
Real estate and property taxes				645,207	-
Motor vehicle taxes				45,793	-
Foreign trade zone distribution				144,762	-
Interest income				13,766	-
State aid				13,463	-
(Loss) on disposal of assets				(734)	-
Total general revenues				862,257	-
Change in net position				(84,932)	10,028
NET POSITION, BEGINNING				1,730,878	1,075,079
PRIOR PERIOD ADJUSTMENT				(15,578)	-
NET POSITION, ENDING				\$ 1,630,368	\$ 1,085,107

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2016

Total Governmental Fund Balances **\$ 1,679,198**

*Amounts reported for governmental activities in the
statement of net position are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the fund. 398,938

Deferred outflows and inflows of resources related to pensions are
applicable to future periods and, therefore, are not reportable in
the governmental funds:

Deferred outflows of resources	\$ 135,710	
Deferred inflows of resources	<u>-</u>	
		135,710

Long-term liabilities are not due and payable in the current period
and therefore, are not reported in the governmental funds.

Long-term liabilities at year end consist of:

Net pension liability	<u>(583,478)</u>	
		<u>(583,478)</u>

Net Position of Governmental Activities **\$ 1,630,368**

The accompanying notes are an integral part this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

Net Change in Fund Balance-Total Governmental Funds **\$ (47,640)**

***Amounts reported for governmental activities in the
statement of activities are different because:***

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This amount is the net effect of these differences in the treatment of capital assets and related items.

Depreciation	\$ (110,164)	
(Loss) on disposal of assets	(734)	
Capital asset acquisitions	<u>109,260</u>	
		(1,638)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net position liability is measured a year before the District's report date. Pension expense, which is the change in the net position liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Library pension contributions	55,454	
Cost of benefits earned	<u>(91,108)</u>	
		(35,654)

Change in Net Position of Governmental Activities **\$ (84,932)**

The accompanying notes are an integral part this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The more significant accounting policies established in GAAP and used by the District are discussed below:

A. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District currently has no funds that are classified as business-type activities.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

B. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District.

- a. **General fund** is the general operating fund of the District and is 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.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

For the purpose of these financial statements, cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

F. Income Taxes

The Carroll County Public Library District is a component of county government and is exempt from federal and state income taxes.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Paintings and works of art are not depreciated because of their extraordinarily long useful lives. Depreciation on all other assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and fixtures	5 years
Equipment	5 years
Books, publications, microfilm	5 years

H. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 – PROPERTY TAX CALENDAR

Property taxes for the year ended June 30, 2016 were levied in August 2015 on the assessed valuation of property located in Carroll County as of the January 1, 2015 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment date	by December 31
3. Delinquent dates,	
5% penalty, 12% interest	January 1 – January 31
21% penalty, 12% interest	After January 31

Vehicle taxes are collected by the County Clerk of Carroll County and are due and payable in the birth month of the vehicle's licensee.

NOTE 4– CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Books, publications and microfilm	\$ 364,090	\$ 87,753	\$ (71,984)	\$ 379,859
Equipment	114,045	21,507	(23,034)	112,518
Furniture and fixtures	342,920	-	-	342,920
Total capital assets at cost	<u>821,055</u>	<u>109,260</u>	<u>(95,018)</u>	<u>835,297</u>
Accumulated depreciation	<u>(420,479)</u>	<u>(110,164)</u>	<u>94,284</u>	<u>(436,359)</u>
Total capital assets, net	<u>\$ 400,576</u>	<u>\$ (904)</u>	<u>\$ (734)</u>	<u>\$ 398,938</u>

NOTE 5 – EMPLOYEE'S PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the District are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the District recognized pension expense of \$91,109. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,849	\$ -
Changes of assumptions	58,837	-
Net difference between projected and actual earnings on plan investments	5,230	-
Changes in proportion and differences between District contributions and proportionate share of contributions	26,422	-
District contributions subsequent to the measurement date	40,372	-
	<u>\$ 135,710</u>	<u>\$ -</u>

The \$95,338 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 34,136
2018	34,136
2019	16,544
2020	10,522
2021	-
	<u>\$ 95,338</u>

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	100%	

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6 – CONSTRUCTION COMMITMENT AND LEASE ARRANGEMENT
(CONTINUED)**

The future minimum lease payment relating to the Library lease as of June 30, 2016 are summarized below:

2017	\$ 69,480
2018	92,640
2019	92,640
2020	92,640
2021-2025	463,200
2026-2030	301,080
2031-2035	437,240
2036-2038	<u>208,440</u>
Total	<u>\$1,757,360</u>

NOTE 7 – PRIOR PERIOD ADJUSTMENT

The District has recorded an adjustment to the Beginning Net Position of (\$15,578) at July 1, 2015. This adjustment, shown on page 9, accounts for the insurance fund portion of pension contributions at June 30, 2015 and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF DISTRICT PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 40,372	\$ 40,370	\$ 39,547							
Contributions in relation to the contractually required contribution	\$ (40,372)	\$ (40,370)	\$ (39,547)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
District's covered-employee payroll	\$ 325,053	\$ 316,625	\$ 287,824							
Contributions as a percentage of covered-employee payroll	12.42%	12.75%	13.74%							

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts Budgetary Basis</u>
REVENUES:			
Real estate, property and motor vehicle tax	\$ 775,000	\$ 775,000	\$ 691,000
Foreign trade zone distribution	-	-	144,762
State aid	13,000	13,000	13,463
Fines and fees	16,000	16,000	19,731
Interest	5,000	5,000	13,766
Grants	67,000	67,000	72,825
Donation	1,000	1,000	-
Miscellaneous	3,500	3,500	7,834
Total revenues	<u>880,500</u>	<u>880,500</u>	<u>963,381</u>
EXPENSES			
PROGRAM SERVICES			
Books and periodicals	69,000	69,000	67,339
Electronic resources	66,000	66,000	49,068
Library programs and services	43,500	43,500	35,430
Total program services	<u>178,500</u>	<u>178,500</u>	<u>151,837</u>
SUPPORTING SERVICES			
Salaries	360,000	360,000	359,378
Employee benefits	108,500	108,500	95,564
Payroll taxes	26,000	26,000	23,872
Computer expenses	60,000	60,000	63,107
Miscellaneous	12,500	12,500	9,774
Vehicle fuel and maintenance	5,000	5,000	350
Building repairs and maintenance	54,000	54,000	47,913
Other repairs and maintenance	45,000	45,000	25,112
Utilities and telephone	25,500	25,500	24,166
Advertising	13,000	13,000	12,005
Insurance	15,000	15,000	12,386
Supplies	34,000	34,000	31,950
Professional fees	17,500	17,500	8,825
Community partnerships	12,000	12,000	12,817
Printing	10,000	10,000	9,113
Capital outlay	50,000	50,000	11,420
Rent	102,400	102,400	102,180
Scholarships	3,000	3,000	3,025
Staff education	20,000	20,000	6,227
Total supporting services	<u>973,400</u>	<u>973,400</u>	<u>859,184</u>
Total expenses	<u>1,151,900</u>	<u>1,151,900</u>	<u>1,011,021</u>
Net change in fund balance	(271,400)	(271,400)	(47,640)
FUND BALANCE, BEGINNING	1,771,769	1,771,769	1,726,838
FUND BALANCE, ENDING	<u>\$ 1,500,369</u>	<u>\$ 1,500,369</u>	<u>\$ 1,679,198</u>

The accompanying notes are an integral part of this statement.



**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 Board of Trustees
Carroll County Public Library District
Carrollton, Kentucky**

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 the governmental activities, the aggregate discretely presented component units, and each major fund of the Carroll County Public Library District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Carroll County Public Library District's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carroll County Public Library District'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 Carroll County Public Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Public Library District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



June 29, 2017

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To the Board of Trustees of the
Carroll County Public Library District

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units and each major fund of Carroll County Public Library District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carroll County Public Library District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by Carroll County Public Library District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the useful lives of the capital assets in calculating the depreciation expense is based on the lives on those that are generally accepted throughout the United States of America. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based on multiple actuarial assumptions of future benefits and plan assets. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the employee's pension plan in Note 5 to the financial statements states the pension liability and terms per CERS.

The disclosure of the prior period adjustment in Note 7 states the prior period errors corrected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

- 1) Reclassify bank transfers for closed certificates of deposit.
- 2) Adjust payroll expenses in relation to period of software transition.
- 3) Adjustment to record fixed asset purchases, disposals, and related depreciation.
- 4) Adjustment to pension related accounts due to the implementation of GASB Nos. 68 and 71.
- 5) Adjustment to accounts receivable for taxes received after fiscal year end.
- 6) Adjustment to accounts payable for expenses paid after fiscal year end.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Carroll County Public Library District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Carroll County Public Library District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District pension contributions,

and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Carroll County Public Library District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bramel & Ackley, P.S.C.