

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

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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.

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Carroll County Public Library Foundation, Inc. (Foundation) have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the District's basic financial statements. The Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100% percent of the District's aggregate discretely presented component units.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Carroll County Public Library District, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 each major fund of the Carroll County Public Library District, as of June 30, 2016, and the respective changes in financial position thereof 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 on pages 4-7; the schedule of the District's proportionate share of the net pension liability on page 26; the schedule of District pension contributions on page 27; and budgetary comparison information on pages 29-30 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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

This discussion and analysis of Carroll County Public Library District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please review it in conjunction with the attached financial statements.

Financial Highlights

- At the close of the fiscal year, the District's net position was \$1,630,368, a decrease of \$84,932, or 4.95%, from FY 2015.
- In the governmental funds, total revenues during the fiscal year increased by \$40,002 and total expenditures decreased by \$94,721. The decrease in expenditures was primarily due to an decrease in capital outlay.
- At the close of the fiscal year, the District's governmental fund balance was \$1,679,198, a decrease of \$47,640, or 2.76%, from FY 2015.

Overview of the Financial Statements

The Management Discussion and Analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

One of the most important questions to ask is whether the District is in better financial shape as a result of the year's activities. The two government-wide financial statements help answer this question. These two statements include all revenues, expenditures, assets and liabilities.

These two statements report the District's net position and changes in them. The change in net position – the difference between assets [what the District owns] and liabilities [what the District owes] – is one way to measure the District's financial health or position. Over time, increases and decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. However, in evaluating the overall health of the District, non-financial factors such as improvements in services and capacity, also must be considered.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide more detailed information about the District's funds rather than the Library as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Currently the District only has one fund.

General Fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Table 1
Net Position

	<u>FY 2016</u>	<u>Restated FY 2015</u>
Current and other assets	\$1,742,902	\$1,786,785
Capital assets	<u>398,938</u>	<u>400,576</u>
Total assets	2,141,840	2,187,361
Deferred outflows of resources	<u>135,710</u>	<u>40,370</u>
Total assets and deferred outflows	<u>\$2,277,550</u>	<u>\$2,227,731</u>
Current liabilities	\$ 63,704	\$ 59,947
Long-term liabilities	<u>583,478</u>	<u>407,048</u>
Total liabilities	647,182	466,995
Deferred inflows of resources	-	45,436
Total liabilities and deferred inflows	<u>\$ 647,182</u>	<u>\$ 512,431</u>
Invested in capital assets, net of debt	\$ 398,938	\$ 400,576
Unrestricted	<u>1,231,430</u>	<u>1,314,724</u>
Total net position	<u>\$1,630,368</u>	<u>\$1,715,300</u>

Table 2
Change in Net Position

	<u>FY 2016</u>	<u>Restated FY 2015</u>
REVENUES		
Program Revenues		
Charges for services	\$ 27,565	\$ 24,607
Operating grants and contributions	72,825	69,000
General Revenues		
Property/motor vehicle taxes	691,000	679,702
Foreign trade zone distributions	144,762	130,045
Investment earnings	13,766	6,562
State aid	13,463	13,463
(Loss) on disposal of fixed assets	<u>(734)</u>	<u>(2,725)</u>
Total Revenues	<u>962,647</u>	<u>920,654</u>
PROGRAM EXPENSES		
Personnel	514,469	446,475
Depreciation	110,164	101,870
Facility	186,645	185,936
Materials	28,655	44,128
Programs	57,360	40,509
Operating	<u>150,286</u>	<u>155,602</u>
Total Expenses	<u>1,047,579</u>	<u>974,520</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (84,932)</u>	<u>\$ (53,866)</u>

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 NET POSITION

June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
- ASSETS -		
Cash and cash equivalents	\$ 1,067,872	\$ 27,514
Investments -certificates of deposit	438,561	-
Taxes receivable	18,790	-
Prepaid rent	211,240	-
Prepaid expenses	6,439	-
Depreciation reserve		76,320
Capital assets:		
Books, publications and microfilm	\$ 379,859	-
Equipment	112,518	2,000
Building	-	2,318,092
Furniture and fixtures	342,920	-
Total capital assets	<u>835,297</u>	<u>2,320,092</u>
Less: accumulated depreciation	<u>(436,359)</u>	<u>(484,875)</u>
Total capital assets, net	<u>398,938</u>	<u>1,835,217</u>
Total assets	<u>2,141,840</u>	<u>1,939,051</u>
- DEFERRED OUTFLOWS OF RESOURCES -		
Pension contributions subsequent to measurement date	<u>135,710</u>	<u>-</u>
Total deferred outflows of resources	<u>135,710</u>	<u>-</u>
- LIABILITIES -		
Accounts payable	31,031	-
Accrued wages	24,589	-
Payroll liabilities	8,084	-
Notes payable	-	853,944
Net pension liability	<u>583,478</u>	<u>-</u>
Total liabilities	<u>647,182</u>	<u>853,944</u>
- DEFERRED INFLOWS OF RESOURCES -		
Difference between projected and actual earnings of pension plan	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
- NET POSITION -		
Invested in capital assets, net of related debt	398,938	981,273
Unrestricted	<u>1,231,430</u>	<u>103,834</u>
Total net position	<u>\$ 1,630,368</u>	<u>\$ 1,085,107</u>

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
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

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
- ASSETS -		
Cash and cash equivalents	\$ 1,067,872	\$ 1,067,872
Investments- certificates of deposit	438,561	438,561
Accounts receivable	18,790	18,790
Prepaid rent	211,240	211,240
Prepaid expenses	6,439	6,439
Total assets	<u><u>\$ 1,742,902</u></u>	<u><u>\$ 1,742,902</u></u>
- LIABILITIES AND FUND BALANCE -		
LIABILITIES:		
Accounts payable	\$ 31,031	\$ 31,031
Accrued wages	24,589	24,589
Payroll liabilities	8,084	8,084
Total liabilities	<u>63,704</u>	<u>63,704</u>
FUND BALANCE:		
Nonspendable	217,679	217,389
Unassigned	1,461,519	1,461,519
Total fund balance	<u>1,679,198</u>	<u>1,726,838</u>
Total liabilities and fund balance	<u><u>\$ 1,742,902</u></u>	<u><u>\$ 1,742,612</u></u>

The accompanying notes are an integral part 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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS****Year Ended June 30, 2016**

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES:		
Real estate, property and motor vehicle taxes	\$ 691,000	\$ 691,000
Foreign trade zone distribution	144,762	144,762
State aid	13,463	13,463
Fines and fees	19,731	19,731
Interest	13,766	13,766
Grants	72,825	72,825
Miscellaneous	7,834	7,834
Total revenues	<u>963,381</u>	<u>963,381</u>
EXPENDITURES:		
Salaries	359,378	359,378
Employee benefits	95,564	95,564
Payroll taxes	23,872	23,872
Books and periodicals	67,339	67,339
Electronic resources	49,068	49,068
Computer expenses	63,107	63,107
Library programs and services	35,430	35,430
Miscellaneous	9,774	9,774
Vehicle fuel and maintenance	350	350
Building repairs and maintenance	47,913	47,913
Other repairs and maintenance	25,112	25,112
Utilities and telephone	24,166	24,166
Advertising	12,005	12,005
Insurance	12,386	12,386
Supplies	31,950	31,950
Professional fees	8,825	8,825
Community partnerships	12,817	12,817
Printing	9,113	9,113
Capital outlay	11,420	11,420
Rent	102,180	102,180
Scholarships	3,025	3,025
Staff education	6,227	6,227
Total expenditures	<u>1,011,021</u>	<u>1,011,021</u>
Net change in fund balance	(47,640)	(47,640)
FUND BALANCE, BEGINNING	<u>1,726,838</u>	<u>1,726,838</u>
FUND BALANCE, ENDING	<u>\$ 1,679,198</u>	<u>\$ 1,679,198</u>

The accompanying notes are an integral part of 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>	
		<u>(35,654)</u>

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

Carroll County Public Library District (District) is located in Carrollton, Kentucky and is a special taxing district and was established for the operation and maintenance of a public library which provides educational materials and other worthwhile services to the residents of Carroll County, Kentucky and the surrounding areas. The District's operations are supervised by the Kentucky Department of Libraries and Archives.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary Government: Carroll County Public Library District

Discretely Presented Component Unit: Carroll County Public Library Foundation, Inc.

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the District appointed a voting majority of the units' board, the District is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

Discretely Presented Component Unit

The component unit discretely presented in the District's report is presented below:

Component Unit	Brief Description/Inclusion Criteria
Carroll County Public Library Foundation, Inc.	Created March 19, 1987, to stimulate voluntary financial support for the District, to support, encourage and enhance the programs and facilities of the District, to assist in financing capital improvements for the District and to acquire and administer funds devoted to these programs. It operates on a calendar year and the financial statements included are for the year ended December 31, 2014. It leases the new library facility to the District.

The District's basic financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

For the year ended June 30, 2016, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, GASB Statement No. 68 required disclosure of information related to pension benefits.

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)

2. Fund Balances:

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Non-spendable -- resources which cannot be spent because they are either not in spendable form or legally or contractually required to maintained intact.

Restricted -- resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed -- resources which are subject to limitations the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned -- resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned -- amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The only deferred outflows of resources reported in this year's financial statements is a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liability from that plan and the end of the District's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

K. Deferred Inflows of Resources

The District's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year.

L. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expenditure toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The District's deposits at June 30, 2016, consist of cash and certificates of deposit. The District's deposits were partially insured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the District's name. The carrying amount of the District's deposits with financial institutions at June 30, 2016 was \$1,506,433 and the bank balance was \$1,534,962. Of the total bank balance, \$820,962 was insured by Federal Depository Insurance and \$713,872 was collateralized with securities held by the financial institutions and pledged to collateralize the District's deposits. The remaining \$128 was not insured by Federal Depository Insurance or collateralized with securities as of June 30, 2016.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

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)

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Employees are required to contribute 5% or 6% of their annual creditable compensation based upon the date they begin participating in the plan. The actuarially determined rates set by the Board for the year ended June 30, 2016 was 17.06%, of which 12.42% was for the pension fund and 4.64% was for the insurance fund. Contributions to the pension plan from the District were \$55,454 for the year ended June 30, 2016, of which \$40,372 was for the pension fund and \$15,082 was for the insurance fund.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$583,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District’s proportion was 0.013571%, which was an increase of 0.001025% from its proportion measured as of June 30, 2014.

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>\$</u>	<u>95,338</u>

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Changes of assumptions. Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension liability	\$ 744,882	\$ 583,478	\$ 445,250

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued KRS financial report.

Payables to the pension plan

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2016, \$5,477 was payable to the pension plan, of which \$3,987 was for the pension fund and \$1,490 was for the insurance fund.

NOTE 6 – CONSTRUCTION COMMITMENT AND LEASE ARRANGEMENT

On March 9, 2006, the District transferred to its component unit, Carroll County Public Library Foundation, Inc., the building in which the Library has been located. This transfer was made in order for the Foundation to be able to secure a Construction loan. Renovation began in June 2006 on this building, as well as on an adjacent building which the Carroll County Public Library Foundation already owned. In connection with the renovation, the District secured a Kentucky Department of Libraries and Archives Construction grant. This grant will distribute \$64,000 annually to the District to provide construction assistance for 20 years. The District will surrender the grant receipts to the Foundation in order for the construction debt to be paid. The construction grant will be reviewed bi-annually. Construction was completed in 2007 and the District entered into a lease on October 1, 2007. The lease agreement term is for thirty years beginning October 3, 2007 and ending October 2, 2038. The rent is \$92,640 annually. The District has decided to make voluntary increased rent payments of \$9,540 for the year ended June 30, 2015. Annually the District will make payments of \$102,180 so the Foundation loan is repaid in the same 20 year term the Construction Grant is received. The District is responsible for all necessary repairs and maintenance, utilities and insurance.

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

	Last 10 Fiscal Years*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.013571%	0.012546%								
District's proportionate share of the net pension liability (asset)	\$ 583,478	\$ 407,048								
District's covered-employee payroll	\$ 316,625	\$ 287,824								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	184.28%	141.42%								
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%								

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis
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	880,500	880,500	963,381
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	178,500	178,500	151,837
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	973,400	973,400	859,184
Total expenses	1,151,900	1,151,900	1,011,021
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	\$1,500,369	\$ 1,500,369	\$ 1,679,198

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2016

NOTE A – BUDGETING POLICIES

The District follows the procedures established pursuant to Section 164.655 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. The budget for the general fund is adopted on a basis consistent with the accrual basis of accounting. Budgeted amounts in the financial statements are as adopted by the District Board.



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**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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Public Library District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Bramel & Ackley, P.S.C.

June 29, 2017



BRAMEL & ACKLEY, PSC

Certified Public Accountants and Business Advisors

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.

