

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2017

WITH

Independent Auditors' Report



CARROLL COUNTY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2017

WITH

Independent Auditors' Report

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	4 - 7
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14 - 24
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the District's Proportionate Share of the Net Pension Liability	26
Schedule of District Pension Contributions	27
Notes to Required Supplementary Information	28
Budgetary Comparison Schedule – General Fund	29
Notes to Budgetary Comparison Schedule	30
OTHER SUPPLEMENTARY INFORMATION:	
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 <i>Government Auditing Standards</i>	31 – 32





BRAMEL & ACKLEY, PSC

Certified Public Accountants and Business Advisors

859-341-6700	www.bramelackley.com
1-877-585-6454	1885 Dixie Highway,
Fax 859-578-3542	Suite 310
info@bramelackley.com	Fl. Wright, Kentucky 41011

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 discretely presented component unit, and each major fund of the Carroll County Public Library District as of and for the year ended June 30, 2017, 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the discretely presented component unit.

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

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.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the Carroll County Public Library District. Accordingly, we do not express an opinion on these financial statements.

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, 2017, 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 fund 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 January 15, 2018 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.

January 15, 2018

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

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, 2017. 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 \$1,500,981, a decrease of \$129,387, or 7.94%, from FY 2016.
- In the governmental funds, total revenues during the fiscal year increased by \$38,500 and total expenditures increased by \$73,388. The increase in expenditures was primarily due to an increase in wages and employee benefits.
- At the close of the fiscal year, the District's governmental fund balance was \$1,596,670, a decrease of \$82,528, or 4.91%, from FY 2016.

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 District 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, 2017

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 DISTRICT AS A WHOLE

The District's combined net position decreased between FY 2016 and FY 2017 by \$129,387 or 7.94%. The majority of the District's assets (48.17%) are invested in deposits within several financial institutions.

The vast majority (87.69%) 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 \$17,680 in interest revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$123,367 or 12.31% of total revenue. Table 2 on page 6 shows the change in net position for FY 2017 and FY 2016.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

Table 1
Net Position

	<u>FY 2017</u>	<u>FY 2016</u>
Current and other assets	\$1,669,918	\$1,742,902
Capital assets	<u>405,190</u>	<u>398,938</u>
Total assets	2,075,108	2,141,840
Deferred outflows of resources	<u>170,021</u>	<u>135,710</u>
Total assets and deferred outflows	<u>\$2,245,129</u>	<u>\$2,277,550</u>
Current liabilities	\$ 73,248	\$ 63,704
Long-term liabilities	<u>670,900</u>	<u>583,478</u>
Total liabilities	744,148	647,182
Deferred inflows of resources	-	-
Total liabilities and deferred inflows	<u>\$ 744,148</u>	<u>\$ 647,182</u>
Invested in capital assets, net of debt	\$ 405,190	\$ 398,938
Unrestricted	<u>1,095,791</u>	<u>1,231,430</u>
Total net position	<u>\$1,500,981</u>	<u>\$1,630,368</u>

Table 2
Change in Net Position

	<u>FY 2017</u>	<u>FY 2016</u>
REVENUES		
Program Revenues		
Charges for services	\$ 24,367	\$ 27,565
Operating grants and contributions	99,000	72,825
General Revenues		
Property/motor vehicle taxes	711,757	691,000
Foreign trade zone distributions	136,826	144,762
Investment earnings	17,680	13,766
State aid	12,251	13,463
(Loss) on disposal of fixed assets	-	(734)
Total Revenues	<u>1,001,881</u>	<u>962,647</u>
PROGRAM EXPENSES		
Personnel	602,782	514,469
Depreciation	113,184	110,164
Facility	177,137	186,645
Materials	20,811	28,655
Programs	64,652	57,360
Operating	<u>152,702</u>	<u>150,286</u>
Total Expenses	<u>1,131,268</u>	<u>1,047,579</u>
(DECREASE) IN NET POSITION	<u>\$ (129,387)</u>	<u>\$ (84,932)</u>

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year, the Library District's governmental funds reported balances of \$1,596,670, a decrease of \$82,528 from the previous year.

General Fund Budgetary Highlights

Revenues - Actual general fund revenues were more than budgeted revenues by \$87,381, or 9.56%.

Expenses – Actual general fund expenses were less than budgeted expenses by \$89,791, or 7.65%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets equaled \$405,190 as of June 30, 2017. During the year, capital assets valued at \$119,436 were added while depreciation during the period was \$113,184. 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, 2017, general operating revenues are expected to be \$1,009,000. \$750,000 is budgeted for real estate, personal property, and motor vehicle taxes (74.33% 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 10.8 cents per \$100 assessed valuation of real property, 11.04 cents per \$100 assessed valuation of personal property, and 3.23 cents per \$100 assessed valuation of motor vehicles.

The remaining 25.67% of the general operating revenue is composed of 6 miscellaneous sources. Of these categories, fines and fees for late library materials represents \$14,500, or 1.44% of the general operating revenue, interest on deposits represent \$13,000, or 1.29% of the general operating revenue, state aid, which includes the construction grant, represents \$82,000, or 8.13%, foreign trade zone distribution represents \$140,000, or 13.87 %, and other miscellaneous sources represent \$9,500, or .94%.

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, 2017

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 999,657	\$ 34,033
Investments -certificates of deposit	445,366	-
Taxes receivable	10,306	-
Prepaid rent	211,240	-
Prepaid expenses	3,349	-
Depreciation reserve	-	85,860
CAPITAL ASSETS		
Books, publications and microfilm	\$ 380,711	-
Equipment and vehicle	146,207	2,000
Building	-	2,318,092
Leasehold improvements	87,140	-
Furniture and fixtures	261,518	-
Total Capital Assets	<u>875,576</u>	<u>2,320,092</u>
Less: accumulated depreciation	<u>(470,386)</u>	<u>(540,953)</u>
Total Capital Assets, Net	<u>405,190</u>	<u>1,779,139</u>
TOTAL ASSETS	<u>2,075,108</u>	<u>1,899,032</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	<u>170,021</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>170,021</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 2,245,129</u></u>	<u><u>\$ 1,899,032</u></u>
LIABILITIES		
Accounts payable	\$ 25,561	\$ -
Accrued wages	30,211	-
Payroll liabilities	17,476	-
LONG-TERM LIABILITIES		
Notes payable	-	797,596
Net pension liability	<u>670,900</u>	<u>-</u>
TOTAL LIABILITIES	<u>744,148</u>	<u>797,596</u>
NET POSITION		
Invested in capital assets, net of related debt	405,190	981,543
Unrestricted	<u>1,095,791</u>	<u>119,893</u>
TOTAL NET POSITION	<u><u>\$ 1,500,981</u></u>	<u><u>\$ 1,101,436</u></u>

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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	\$ 602,782	\$ -	\$ -	\$ (602,782)	
Depreciation	113,184	-	-	(113,184)	
Facility	177,137	-	-	(177,137)	
Materials	20,811	-	-	(20,811)	
Programs	64,652	-	-	(64,652)	
Operating	152,702	-	-	(152,702)	
Revenue	-	24,367	99,000	123,367	
Total governmental activities	1,131,268	24,367	99,000	(1,007,901)	
COMPONENT UNIT:					
Foundation	92,751	102,180	6,900		16,329
GENERAL REVENUES:					
Real estate and property taxes				663,453	-
Motor vehicle taxes				48,304	-
Foreign trade zone distribution				136,826	-
Interest income				17,680	-
State aid				12,251	-
Total general revenues				878,514	-
CHANGE IN NET POSITION				(129,387)	16,329
NET POSITION - BEGINNING OF YEAR				1,630,368	1,085,107
NET POSITION - END OF YEAR				\$ 1,500,981	\$ 1,101,436

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 999,657	\$ 999,657
Investments- certificates of deposit	445,366	445,366
Accounts receivable	10,306	10,306
Prepaid rent	211,240	211,240
Prepaid expenses	3,349	3,349
TOTAL ASSETS	<u><u>\$ 1,669,918</u></u>	<u><u>\$ 1,669,918</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 25,561	\$ 25,561
Accrued wages	30,211	30,211
Payroll liabilities	17,476	17,476
Total Liabilities	<u>73,248</u>	<u>73,248</u>
FUND BALANCES		
Nonspendable	214,589	214,589
Unassigned	1,382,081	1,382,081
Total Fund Balance	<u>1,596,670</u>	<u>1,596,670</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,669,918</u></u>	<u><u>\$ 1,669,918</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, 2017

Total Governmental Fund Balances	\$ 1,596,670
----------------------------------	--------------

*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.	405,190
---	---------

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	170,021
--------------------------------	---------

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

Net pension liability	<u>(670,900)</u>
-----------------------	------------------

<i>Net Position of Governmental Activities</i>	<u><u>\$ 1,500,981</u></u>
--	----------------------------

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, 2017

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Real estate, property and motor vehicle taxes	\$ 711,757	\$ 711,757
Foreign trade zone distribution	136,826	136,826
Grants	74,000	74,000
Donations	25,000	25,000
Interest	17,680	17,680
Fines and fees	14,046	14,046
State aid	12,251	12,251
Miscellaneous	10,321	10,321
Total Revenues	<u>1,001,881</u>	<u>1,001,881</u>
EXPENDITURES		
Salaries	392,729	392,729
Employee benefits	128,411	128,411
Rent	102,180	102,180
Books and periodicals	60,006	60,006
Library programs and services	46,247	46,247
Computer expenses	42,259	42,259
Electronic resources	40,815	40,815
Building repairs and maintenance	38,050	38,050
Capital outlay	35,582	35,582
Office expense	35,260	35,260
Other repairs and maintenance	33,416	33,416
Payroll taxes	28,530	28,530
Utilities and telephone	24,180	24,180
Advertising	12,968	12,968
Insurance	12,727	12,727
Professional fees	12,379	12,379
Community partnerships	12,185	12,185
Miscellaneous	9,713	9,713
Printing	6,220	6,220
Staff education	5,171	5,171
Scholarships	3,300	3,300
Vehicle fuel and maintenance	2,081	2,081
Total Expenditures	<u>1,084,409</u>	<u>1,084,409</u>
CHANGE IN FUND BALANCE	(82,528)	(82,528)
FUND BALANCE - BEGINNING OF YEAR	<u>1,679,198</u>	<u>1,679,198</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,596,670</u>	<u>\$ 1,596,670</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, 2017

Net Change in Fund Balance-Total Governmental Funds	\$ (82,528)
---	-------------

*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	\$ (113,184)	
Capital asset acquisitions	<u>119,436</u>	
		6,252

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.

District pension contributions	68,426	
Cost of benefits earned	<u>(121,537)</u>	
		<u>(53,111)</u>

<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ (129,387)</u></u>
--	----------------------------

The accompanying notes are an integral part this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2016. It leases the 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, 2017, 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, 2017

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.

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 be 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.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Books, publications, microfilm	5 years
Equipment and vehicle	5-7 years
Leasehold improvements	7-39.5 years
Furniture and fixtures	5-7 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.

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. Deferred outflows of resources reported in this year's financial statements relate to the District's pension plan and include (1) contributions made to the District's pension plan between the measurement date of the net pension liability and the end of the District's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions, (4) changes in the proportionate share of the District's contributions to the pension fund, and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expected and actual experience, changes of assumptions in the pension fund, and changes in the proportionate share of the District's contributions to the pension fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension contributions will be recognized in the subsequent 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). There were no deferred inflows of resources related to the pension plan recognized in 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, 2017, 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, 2017 was \$1,445,023 and the bank balance was \$1,459,977. Of the total bank balance, \$750,090 was insured by Federal Depository Insurance and \$709,066 was collateralized with securities held by the financial institutions and pledged to collateralize the District's deposits. The remaining \$821 was not insured by Federal Depository Insurance or collateralized with securities as of June 30, 2017.

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, 2017

NOTE 3 – PROPERTY TAX CALENDAR

Property taxes for the year ended June 30, 2017 were levied in August 2016 on the assessed valuation of property located in Carroll County as of the January 1, 2016 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Books, publications and microfilm	\$ 379,859	\$ 80,009	\$ (79,157)	\$ 380,711
Equipment and vehicle	112,518	33,689	-	146,207
Leasehold improvements	87,140	-	-	87,140
Furniture and fixtures	255,780	5,738	-	261,518
Total capital assets at cost	<u>835,297</u>	<u>119,436</u>	<u>(79,157)</u>	<u>875,576</u>
Accumulated depreciation	<u>(436,359)</u>	<u>(113,184)</u>	<u>79,157</u>	<u>(470,386)</u>
Total capital assets, net	<u>\$ 398,938</u>	<u>\$ 6,252</u>	<u>\$ -</u>	<u>\$ 405,190</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 <https://kyret.ky.gov>

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017 was 18.68%, of which 13.95% was for the pension fund and 4.73% was for the insurance fund. Contributions to the pension plan from the District were \$68,426 for the year ended June 30, 2017, of which \$51,100 was for the pension fund and \$17,326 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, 2017, the District reported a liability of \$670,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District’s proportion was 0.013626%, which was an increase of 0.000055% from its proportion measured as of June 30, 2015.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the District recognized pension expense of \$102,552. At June 30, 2017, 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	\$ 2,929	\$ -
Changes of assumptions	35,541	-
Net difference between projected and actual earnings on plan investments	63,071	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,380	-
District contributions subsequent to the measurement date	51,100	-
	<u>\$ 170,021</u>	<u>\$ -</u>

The \$51,100 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, 2018. 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:

2018	\$ 48,860
2019	31,218
2020	24,831
2021	14,012
2022	-
	<u>\$ 118,921</u>

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016 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, 2016 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, there were no changes in assumptions.

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 27 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 December 3, 2015. 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 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.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

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%	

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:

	Decrease (6.50%)	Discount Rate (7.50%)	Increase (8.50%)
District's proportionate share of the net pension liability	\$ 836,050	\$ 670,900	\$ 529,334

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, 2017, \$10,746 was payable to the pension plan, of which \$8,025 was for the pension fund and \$2,721 was for the insurance fund.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 – CONSTRUCTION COMMITMENT AND LEASE ARRANGEMENT

On March 9, 2006, the District transferred to its component unit, Carroll County Public District Foundation, Inc., the building in which the District 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 District 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, 2017. 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.

The future minimum lease payment relating to the District lease as of June 30, 2017 are summarized below:

2018	\$ 69,480
2019	92,640
2020	92,640
2021	92,640
2022-2026	463,200
2027-2031	275,120
2032-2036	463,200
2037-2038	<u>115,800</u>
Total	<u>\$1,664,720</u>

NOTE 7 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 15, 2018, the date which the financial statements were available to be issued.

On November 17, 2017, the District signed an agreement to purchase a property on Fourth Street in Carrollton, KY for \$43,000 to be used for future endeavors.

THE PAGE IS LEFT INTENTIONALLY BLANK.

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*									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.013626%	0.013571%	0.012546%							
District's proportionate share of the net pension liability (asset)	\$ 670,900	\$ 583,478	\$ 407,048							
District's covered-employee payroll	\$ 325,053	\$ 316,625	\$ 287,824							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	206.40%	184.28%	141.42%							
Plan fiduciary net position as a percentage of the total pension liability	55.50%	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 51,100	\$ 40,372	\$ 40,370	\$ 39,547						
Contributions in relation to the contractually required contribution	\$ (51,100)	\$ (40,372)	\$ (40,370)	\$ (39,547)						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered-employee payroll	\$ 366,305	\$ 325,053	\$ 316,625	\$ 287,824						
Contributions as a percentage of covered-employee payroll	13.93%	12.40%	12.75%	13.74%						

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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	27 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, 2017

	Original and Final Budget	Actual
REVENUES:		
Real estate, property and motor vehicle tax	\$ 800,000	\$ 711,757
Foreign trade zone distribution	-	136,826
Grants	69,000	74,000
Donations	-	25,000
Interest	6,000	17,680
Fines and fees	17,000	14,046
State aid	13,000	12,251
Miscellaneous	9,500	10,321
Total revenues	<u>914,500</u>	<u>1,001,881</u>
EXPENDITURES:		
PROGRAM SERVICES		
Books and periodicals	78,000	60,006
Library programs and services	75,000	46,247
Electronic resources	56,000	40,815
Total program services	<u>209,000</u>	<u>147,068</u>
SUPPORTING SERVICES		
Salaries	371,500	392,729
Employee benefits	112,100	128,411
Rent	102,600	102,180
Computer expenses	53,000	42,259
Building repairs and maintenance	54,000	38,050
Capital outlay	70,000	35,582
Office expense	8,000	35,260
Other repairs and maintenance	40,000	33,416
Payroll taxes	29,000	28,530
Utilities and telephone	24,500	24,180
Advertising	13,000	12,968
Insurance	15,000	12,727
Professional fees	17,500	12,379
Community partnerships	12,000	12,185
Miscellaneous	8,000	9,713
Printing	10,000	6,220
Staff education	21,000	5,171
Scholarships	3,000	3,300
Vehicle fuel and maintenance	1,000	2,081
Total supporting services	<u>965,200</u>	<u>937,341</u>
Total expenditures	<u>1,174,200</u>	<u>1,084,409</u>
CHANGE IN FUND BALANCES	(259,700)	(82,528)
FUND BALANCE - BEGINNING OF YEAR	<u>1,679,198</u>	<u>1,679,198</u>
FUND BALANCE - END OF YEAR	<u>\$1,419,498</u>	<u>\$ 1,596,670</u>

The accompanying notes are an integral part of this statement.

CARROLL COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2017

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.



BRAMEL & ACKLEY, PSC

Certified Public Accountants and Business Advisors

859-341-6700
1-877-585-6454
Fax 859-578-3542
info@bramelackley.com

www.bramelackley.com
1885 Dixie Highway,
Suite 310
Ft. Wright, Kentucky 41011

**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 discretely presented component unit, and each major fund of the Carroll County Public Library District, as of and for the year ended June 30, 2017, 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 January 15, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

January 15, 2018