

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Financial Statements and Supplemental Information

June 30, 2014

With Independent Auditors' Report Thereon

**Fain, Mattingly & Associates, P.S.C.
Certified Public Accountants
100 John Sutherland Drive, Suite 2
Nicholasville, Kentucky**

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Table of Contents

	<u>Page(s)</u>
Management's Discussion and Analysis	2-8
Independent Auditors' Report	9-11
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	15
Statement of Revenues, Expenditures & Changes in Fund Balances All Governmental Fund Types	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	18-34
 Required Supplemental Information	
Statement of Revenues, Expenditures & Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis)	36-38
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	39-40

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers the readers of the Jessamine County Public Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2014.

The Jessamine County Public Library, located in Nicholasville, Kentucky, has a central location in the county of approximately 48,586 residents. Jessamine County has a long history of library support, starting with the Acme Book Club in 1896 and continuing through five library buildings of increasing size to the current 22,800 square foot facility.

The Library, which has approximately 41,000 registered customers, offers weekly programs for infants, toddlers, and preschoolers as well as biweekly teen programs and adult programs. The collection includes books (both print and downloadable e-books), periodicals (both print and downloadable from the Internet), DVDs, online streaming movies, audio books (on CD and downloadable from the Internet), music (on CD and downloadable from the Internet), electronic databases, and public computers. The library has outreach services for the homebound, day care centers, and after-school programs.

A five-member Board of Trustees governs the Jessamine County Public Library Taxing District. The Board is appointed by the County Judge Executive and approved by a vote of the elected fiscal court magistrates. The Board is solely responsible for managing the assets of the district.

The primary source of revenue for the taxing district is property and other local taxes. About 1.0% of the budget is from the State of Kentucky.

Financial Highlights

- The Library's assets exceeded its liabilities by \$8,901,011 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$8,179,697.
- Total net assets are comprised of the following:
 - Capital assets, net of related debt, of \$4,873,663 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - Net assets of \$28 are restricted by constraints imposed from outside the Library such as debt covenants, grantors, laws, or regulation.
 - Unrestricted net assets of \$4,027,320 represent the portion available to maintain the Library's continuing obligations to the citizens and creditors.
- The Library's governmental funds reported total ending fund balance of \$3,975,345 this year. This compares to the prior year ending fund balance of \$3,347,279 showing an

increase of \$628,066 during the current year. This increase includes general fund revenues of \$628,063 and debt service funds show an increase of \$3.

- At the end of the current fiscal year, the fund balance for the General Fund was \$3,975,317, or 80.43% of total General Fund expenditures including transfers and 96.2% of total General Fund revenues including transfers.
- Total liabilities of the Library decreased by \$114,737 to \$250,076 during the fiscal year.

Overview of the Financial Statements

The Library's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination of reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Library-wide statement of position presenting information that includes all of the Library's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall economic health of the Library would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Library infrastructure in addition to the financial information provided in this report.

The second of these government-wide statements is the *Statement of Activities*, which reports how the Library's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Library's distinct activities or functions on revenues provided by the Library's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Library that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, capital projects, and debt servicing. The Library does not have Business-type or Fiduciary activities.

The Library's financial reporting includes the funds of the Library (primary government) and organizations for which the Library is accountable (component units). Most of these legally separate organizations operate like Library departments, serve as financing vehicles for Library services (revenue bond issuers), or are governed by a board of trustees wholly comprised the Library's director and board members. The Library does not have any component units at this time.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library's most significant funds rather than the Library as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Library has the following types of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements providing a distinctive view of the Library's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparison between these two perspectives may provide insight into the long-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. These statements and schedules demonstrate compliance with the Library's adopted and final revised budget.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Library as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Library as a whole.

The Library's net position at fiscal year-end is \$8,901,011. This is a \$721,314 increase over last year's net position of \$8,179,697. The following table provides a summary of the Library's net position:

	<u>Government Net Assets</u>		Amount	Percent
	6/30/14	6/30/13	Change	Change
Assets				
Current and other Assets	4,079,075	3,385,381	693,694	20.49%
Capital Assets	5,123,739	5,198,767	-75,028	-1.44%
Total Assets	9,202,814	8,584,148	618,666	7.21%
Deferred Outflows	7,023	10,264	-3,241	-31.58%
Liabilities				
Current Liabilities	180,048	124,813	-55,235	-44.25%
Long-Term Liabilities	128,778	240,000	111,222	46.34%
Total Liabilities	308,826	364,813	55,987	15.35%
Net Position				
Inv. In Cap. Assets, Net of Debt	4,873,663	4,844,218	29,445	0.61%
Assigned	28	25	3	12.00%
Unassigned	4,027,320	3,335,454	691,866	20.74%
TOTAL NET POSITION	8,901,011	8,179,697	721,314	8.82%

The Library reported positive balances in net position for governmental activities. Net position increased \$721,314 for governmental activities. The Library's overall financial position increased due to setting aside funding for the expansion expected to begin during fiscal year 2015.

Tax revenues were not significantly affected by the slowed economy because of the phenomenal growth of Jessamine County. Although state law restricts the yearly tax revenue to a 4% increase over the previous year's income, the law does not restrict the income from new growth. It is this new growth income that shields the library from the detrimental effects of low-performance investments and artificial tax ceilings. The total tax revenue for the year exceeded projections by 6%.

General fund expenditures during the current fiscal year were \$628,063 less than the revenues and government-wide expenses were \$721,314 less than government-wide revenues.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Library's changes in net position:

	<u>Government Activities</u>		Amount	Percent
	6/30/14	6/30/13	Change	Change
Revenue				
Book fines and copy fees	14,072	17,420	-3,348	-19.22%
Operating Grants, etc.	29,825	24,803	5,022	20.25%
General Revenues				
Property Taxes	3,697,655	3,478,387	219,268	6.30%
Interest and Investment Income	10,350	18,076	-7,726	-42.74%
Other revenues	58,013	60,275	-2,262	-3.75%
Total Revenues	3,809,915	3,598,961	210,954	5.86%
Total Expenses	3,088,601	3,050,220	-38,381	-1.26%
Change in Net Assets	721,314	548,741	172,573	31.45%
Net Assets beginning of year	8,179,697	7,630,956	548,741	7.19%
Net Assets end of year	8,901,011	8,179,697	798,076	9.76%

As mentioned earlier and illustrated above, the Library relies heavily upon property taxes to support governmental operations. Property taxes provided 96.66% and 96.64 % of the Library's total governmental revenues in fiscal years 2014 and 2013.

Financial Analysis of the Library's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,975,345. Of this year-end total, approximately \$1,637,045 is unassigned indicating availability for continuing Library service requirements. Non-spendable funds consist of \$26,655 for inventories and other current assets and a stabilization amount of \$431,206. Funds have been assigned for future building expansion and repairs for \$1,880,411. Funds consist of \$28 in debt service bank accounts.

The total ending fund balances of governmental funds show an increase of \$628,066 from the prior year. This increase was due primarily to setting aside funds for the expansion starting in the upcoming year.

Major Governmental Funds

The General Fund is the Library's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased \$628,063. Key factors contributing to this were conservative budgeting, with increasing building expansion reserves and reduction of current expenditures.

The Debt Service Fund has a fund balance of \$28. The Debt Service Fund year-end balance is fully reserved for debt service, but is not required to be set aside. The balance in Debt Service net position reflects the Library's continuing commitment to time the issuance for debt with debt retirements to support the objective of maintaining level Library property taxes at approximately 9.2 cents per hundred dollars in the year ended June 30, 2014. A key factor in achieving this objective is the county's annual reassessment of property values, which have been steadily rising over recent years. This favorable trend in property assessments has allowed the Library to maintain an active bond program without substantially increasing property tax rates.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2014 was originally \$3,543,318 and amended to \$3,692,538. This was an increase of \$745,818 over the previous year's amended budget used previous assigned funds for start-up costs on the planned expansion and to build the building fund reserve.

The General Fund budget complied with financial policies approved by the Board of Trustees and maintained core Library services.

Capital Asset and Debt Administration

Capital assets

The Library's investment in capital assets, net of accumulated depreciation, for governmental activities as of June 30, 2014, was \$5,123,739. The total decrease in this net investment was \$75,028. Capital assets comprise 55.7% for the Library's total assets.

Long-term debt

The Library reduced long-term debt by a reduction of bond long-term debt through the repayment of \$120,000 general obligation bonds. The remaining lease and bonds payable of net of amortization, plus accrued interest payable are \$250,076. Long-term debt decreased by \$111,497 for the year or 69.16% of total debt.

Economic Environment and Next Year's Budgets and Rates

The outlook for the Jessamine County Public Library next year is for modest growth amidst the current period of financial instability in the United States. In general, any major swings in the overall economy have a smaller effect on the Library due to the diversity of the local economy. In order to facilitate increased services while preparing for budget uncertainty, the Board of Trustee allocated the surplus, noted above, into two restricted funds, namely, Building Fund and Budget Stabilization Fund. Conservative budgeting and the restricted Building Fund have positioned the Library for an expansion and renovation, which is currently in the early stages of construction.

Library statistics illustrate increased service and demand over the last 7 years and how JCPL is an essential community asset. Throughout its history, JCPL has proven its commitment to meeting the needs of the citizens of Jessamine County. The collection has grown one hundred times larger, the technology offered remains on the forefront, and programming attendance and circulation are at an all-time high. In the 7 years prior to this report:

- Library visits have increased by 10% to 259,406 individual annual visits
- Circulation has increased by 44% to 576,826 items circulated annually; and
- Program attendance has increased by 79% to 39,003 annual JCPL program attendees.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like to request additional information contact Dr. Ron Critchfield, Executive Director, Jessamine County Public Library, 600 South Main Street, Nicholasville, Kentucky 40356.



Leta G. Mattingly, CPA
Nancy J. Clark, CPA
Veronica L. Roberts

Charles D. Fain, III, CPA
(1955-2002)

*Members of
Kentucky Society of
Certified Public Accountants*

*American Institute of
Certified Public Accountants*

Independent Auditors' Report

The Board of Trustees
Jessamine County Public Library
Taxing District
Nicholasville, Kentucky

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jessamine County Public Library Taxing District (a library taxing district) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activity of the Library as of June 30, 2014, and the respective changes in its financial position 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 and budgetary comparison information on pages 2 through 8 and pages 36 through 38 to 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 Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, reading "Fain Mattingly CPA". The signature is written in a cursive, flowing style.

Fain, Mattingly & Associates, P.S.C., CPAs
Nicholasville, Kentucky
September 19, 2014

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Statement of Net Position
June 30, 2014

		Total Governmental Activities
<u>Assets</u>		
Cash and current assets		
Cash	\$ 989,650	\$
Investments	700,705	
Prepaid rent	75,000	
Inventory for resale	2,075	
Investments stabilization amount	431,206	
Investments-reserved for building	1,880,411	
Investments-reserved for debt reduction	28	
Total cash and current assets		4,079,075
<u>Capital Assets</u>		
Land	1,111,673	
Work in Process	150,000	
Books and A/V material	1,366,505	
Other capital assets, net of depreciation	2,495,561	
Total capital assets		5,123,739
Total Assets		9,202,814
Deferred Outflows of Resources		7,023
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	24,873	
Payroll taxes payable	3,857	
Compensated absence	22,997	
Total current liabilities		51,727
<u>Current Portion of Long-term Debt</u>		
Current interest payable	2,190	
Current debt payable	6,131	
Current bond payable	120,000	
Total current portion of long-term debt		128,321
<u>Long-term Debt</u>		
Lease payable	8,778	
General obligation bond payable	120,000	
Total long-term debt		128,778
Total Liabilities		308,826
<u>Net Position</u>		
Net Investment in capital assets		4,873,663
Restricted for:		
Debt service	28	
Total restricted		28
Assigned for:		
Stabilization fund	431,206	
Building fund	1,880,411	
Total Assigned		2,311,617
Unrestricted Net Assets		
Total unrestricted		1,715,703
Total Net Position		\$ 8,901,011

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Statement of Activities

For The Year Ended June 30, 2014

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions Revenues</u>	<u>Capital Grants & Contributions Revenues</u>	<u>Net (Expense) Revenue</u>
Primary government:					
Compensation	\$ 1,691,767	\$	\$	\$	\$ (1,691,767)
Library materials	509,346				(509,346)
Operating expenses	547,821	(14,072)	(29,825)		(503,924)
Depreciation expense	245,956				(245,956)
Interest expense	10,056				(10,056)
Amortization bond discount	3,241				(3,241)
Adjustment books and AV	80,414				(80,414)
Total Primary Government	<u>\$ 3,088,601</u>	<u>\$ (14,072)</u>	<u>\$ (29,825)</u>	<u>\$ 0</u>	<u>(3,044,704)</u>
Revenues					
District tax					3,697,655
Other revenue					58,013
Interest Income					15,620
Investment income					<u>(5,270)</u>
Total General Revenues					<u>3,766,018</u>
Excess of Revenues Over (Under)					
Change in Net Position					721,314
Net position beginning of year - 7/1/13					<u>8,179,697</u>
Net position end of year - 6/30/14					<u>\$ 8,901,011</u>

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Debt Service	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 989,650	\$	\$ 989,650
Investments	700,705		700,705
Investments stabilization amount	431,206		431,206
Investments reserved building	1,880,411		1,880,411
Investments reserved debt reduction		28	28
Inventory for resale	2,075		2,075
Total Assets	<u>\$ 4,004,047</u>	<u>\$ 28</u>	<u>\$ 4,004,075</u>
<u>Liabilities & Fund Equities</u>			
<u>Liabilities</u>			
Accounts payable	\$ 24,873	\$	\$ 24,873
Payroll taxes payable	3,857		3,857
Total Liabilities	<u>28,730</u>	<u>0</u>	<u>28,730</u>
<u>Fund Balances</u>			
Nonspendable			
Stabilization fund	431,206		431,206
Inventories and prepaid expenses	26,655		26,655
Restricted for debt service		28	28
Assigned for:			
Assigned to building fund	1,880,411		1,880,411
Unassigned	<u>1,637,045</u>		<u>1,637,045</u>
Total Fund Balance	<u>3,975,317</u>	<u>28</u>	<u>3,975,345</u>
Total Liabilities and Fund Balance	<u>\$ 4,004,047</u>	<u>\$ 28</u>	<u>\$ 4,004,075</u>

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Assets
June 30, 2014

Total fund balance - total governmental funds	\$ 3,975,345
---	--------------

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

Capital assets of \$7,662,471, net of accumulated depreciation of \$2,538,732, are not financial resources and, therefore are not reported in the funds. See the accompanying notes for additional detail.	5,123,739
--	-----------

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Long-term liabilities of \$254,908 are not due and payable in the current period and are not reported in the funds, as well as bond interest payable of \$2,190 less unamortized bond discount of \$7,023. See the accompanying notes for detail.	(250,076)
---	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. See the accompanying notes for detail.	<u>52,003</u>
--	---------------

Net assets of governmental activities	\$ <u><u>8,901,011</u></u>
---------------------------------------	----------------------------

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Statement of Revenue and Expenditures and Changes in Fund Balances
All Governmental Fund Types
For The Year Ended June 30, 2014

	General Fund	Debt Service	Total Governmental Funds
Revenues:			
District tax	\$ 3,697,655	\$	\$ 3,697,655
State aid	26,634		26,634
Gift income	3,191		3,191
Copy fees & book fines	59,625		59,625
Investment income	25,899	3	25,902
Resale items (net of cost of goods sold)	127		127
Miscellaneous	12,333		12,333
Total Revenues	<u>3,825,464</u>	<u>3</u>	<u>3,825,467</u>
Expenditures:			
Compensation	1,690,848		1,690,848
Library materials	509,346		509,346
Programming	72,633		72,633
Operating expenses	509,812		509,812
Outreach program	3,195		3,195
Bond expense		120,000	120,000
Interest expense		10,860	10,860
Furniture & equipment	14,207		14,207
Computer & software	41,500		41,500
Total Expenditures	<u>2,841,541</u>	<u>130,860</u>	<u>2,972,401</u>
Excess of Revenues Over (Under) Expenditures	<u>983,923</u>	<u>(130,857)</u>	<u>853,066</u>
Other Financing Sources (Uses)			
Rent-temporary location	(75,000)		(75,000)
Building fund	(150,000)		(150,000)
Debt service	(130,860)	130,860	0
Total Other Financing Sources (Uses)	<u>(355,860)</u>	<u>130,860</u>	<u>(225,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Net change in fund balance	628,063	3	628,066
Fund Balance			
Beginning of Year - 7/1/13	<u>3,347,254</u>	<u>25</u>	<u>3,347,279</u>
Fund Balance			
End of Year - 6/30/14	<u>\$ 3,975,317</u>	<u>\$ 28</u>	<u>\$ 3,975,345</u>

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To The Statement of Activities
For The Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$	628,066
Amounts reported for <i>governmental activities</i> in the statement of net assets 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 useful lives and reported as depreciation expense.

Capital asset purchases capitalized		237,649
Depreciation expense		(245,956)
Adjustment books & A/V materials		(80,414)
Net loss on disposal of computer equipment		(5,273)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(10,278)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the amount by which debt service payments exceeded increases.		123,439
---	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. See Notes for details.		<u>74,081</u>
--	--	---------------

Change in net position of governmental activities	\$	<u><u>721,314</u></u>
---	----	-----------------------

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies

A. Reporting Entity

Jessamine County Public Library Taxing District (Library) is a library district governed under KRS 173. The Library was originally established in 1896 through trust funds of Sarah Rice Withers. The Library provides access to quality materials, services, programs, and technology to enrich the community with ideas, information, and cultural opportunities. The library focuses its resources on current topics and titles, life-long learning, and services to pre-school children.

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the new reporting model implemented by the Library. The following is a summary of significant accounting policies.

B. Entity-Wide and Fund Financial Statements

The financial statement presentation for the Library includes separate columns reporting a statement of net position and a statement of activities. These statements present an entity-wide presentation of all activities of the Library. Also, separate fund financial statements are presented for the governmental funds of the Library, the Debt Service Fund and Capital Project Fund.

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

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Furthermore, both long term and current assets and liabilities are included in the statement of net position.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

Major sources of revenue (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues available for reporting purposes when collected within 60 days. Only current assets and current liabilities generally are included on the balance sheet.

Major sources of revenue are:

Local District Taxes: Local tax revenue is recognized when received from the county sheriff's office. The tax rate for this year was 8.4 cents per \$100.00 of assessed real property and 18.36 cents per \$100.00 of assessed personal property. Motor Vehicle tax was 4.9 cents per \$100.00 of assessed vehicle value.

State Financial Assistance: State Aid is provided by the Kentucky Department of Libraries and Archives and is recognized as it is received.

Donations: Contributions, when received, are accounted for as donations.

Other Revenue: Other revenues are composed primarily of interest and miscellaneous charges for services.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair value based on quoted market values in accordance with Statement No. 31 of the Governmental Accounting Standard Board, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

The Library's investment policy follows Section 66.480 of the Kentucky Revised Statutes. Funds may be invested in obligations of the United States and of its agencies, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including US Treasury, Farmers Home Administration, and obligation of any corporation of the United States Government, including Federal Home Loan Mortgage Corporation or Federal Home Loan Banks.

E. Capital Assets

Land, buildings, and other capital assets are recorded at cost in the fund financial statements. Additionally, capital assets are recorded at cost net of accumulated depreciation in the entity-wide statement of net position. The Library defines capital assets as assets with an initial individual cost of more than \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Interest incurred for the construction of capital assets is not capitalized. Future major repairs and replacements are not being accumulated rather the board has set aside funds for future needs. Should repairs be made, they will be expensed at that time.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (continued)

Assets are depreciated on the straight-line basis over their estimated useful lives as follows:

Buildings	39 years
Building improvement	7-39 years
Furniture & equipment	7 years
Computers, electronics and software	5 years

The Library maintains a collection of books and audio-visual materials available for public use. The Library considers the value of the collection as a major asset and shows it on the statement of net position. Each year the library purchases replacements and discards obsolete or worn materials to maintain a collection that will serve the needs of the community. The value of these materials has been estimated using a five year rolling average of units purchased into dollars spent.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, designated fund balances, and disclosure of contingent liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Budget

The Library annually adopts a budget for the general fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Amendments are required to be made prior to the fact and approved by the majority of the Board of Trustees.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

H. Reservations of Fund Balance

In the fund financial statements, governmental funds report funds as non-spendable, restricted, committed, assigned or unassigned as defined by GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Resources are used first by restrictions to fund appropriations and then unassigned resources are depleted.

I. Subsequent Events

Events or transactions that affect financial statement amounts or disclosures sometimes occur subsequent to period end, but before the financial statements are issued. Subsequent events, if applicable, may impact the current financial statements or may reveal conditions that did not exist at the financial statement date. The search for subsequent events is covered through the date of the auditors' report.

NOTE 2. Basis of Presentation

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Library as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Library general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

Fund financial statements are provided for the Library's governmental fund. Major individual governmental funds, if any, are reported in separate columns with composite columns for non-major funds.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 2. Basis of Presentation (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and other charges to users of the Library's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) and capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to those program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report activity using the economic resources measurement focus and the accrual basis of accounting. This generally includes the reclassification or elimination of internal activity. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 3. Cash and Investments

Deposits (cash and certificates of deposits) are carried at cost, which approximates fair value. At June 30, 2014, the carrying amounts of the Library's deposits were \$4,002,000 and the bank balances were \$ 4,221,882. These deposits were substantially covered by federal depository insurance or by collateral held by the custodial bank in the Library's name. The Library's cash deposits were classified as follows:

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 3. Cash and Investments (cont.)

Category 1. Insured \$ 2,168,621.

Category 2. Collateralized with securities held by the pledging financial institution \$2,051,491.

Category 3. Uncollateralized \$1,770.

Operating transfers are the amounts of cash resources that the board has elected to restrict or release from restrictions.

The Library's funds are mostly invested in interest bearing accounts or certificates of deposits. The debt service fund as of June 30, 2014 held cash investments of \$28 in cash. Cash on hand equaled \$330. The financial statements reflect the following accounts:

	Unrestricted Funds	Assigned Restricted Funds	Total
<u>CASH</u>			
Checking	\$ 985,942	\$	\$ 985,942
FSA	3,378		3,378
Petty cash	330		330
Total Cash Accounts	<u>989,650</u>	\$ -	<u>989,650</u>
<u>INVESTMENTS</u>			
Building Fund			
Certificates of Deposits		1,224,374	1,224,374
Money Market		656,037	656,037
Debt Fund			
Money Market		28	28
Other Investments			
Certificates of Deposits	431,206		431,206
Money Market	700,705		700,705
Total Investments	<u>1,131,911</u>	<u>1,880,439</u>	<u>3,012,350</u>
Total Cash & Investments	\$ <u>2,121,561</u>	\$ <u>1,880,439</u>	\$ <u>4,002,000</u>

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 4. Revenues, Receivables and Other Current Assets

The Library's revenues, as explained in note one, are primarily from tax revenues, 96.65% and state aid and grants .69%. Copies, fines and fees comprise 1.97% during the current fiscal year and investments and other revenues comprise 0.69%.

Fund receivables consist of revenues that have been earned, but have not yet been received. There are no receivables for the general fund on the modified basis as of June 30, 2014, not for the government-wide interest receivable.

NOTE 5. Inventory for Resale

The Library purchases various items for sale that consist of convenience items and library related purchases. The following presents the activity in the inventory account and shows details on sales which are presented as revenues from resale items, which is presented net.

Beginning inventory	\$	7,383	Sales gross	\$	976
Inventory purchased		153			
Removed for publicity		(4,613)			
Cost of goods sold		<u>(848)</u>	Cost of goods sold		<u>(848)</u>
Ending inventory	\$	<u>2,075</u>	Net sales	\$	<u>128</u>

NOTE 6. Employee Benefits

Cafeteria Plan

The Library offers a cafeteria plan for all eligible employees. The plan includes options for medical and life insurance and for flexible spending accounts for medical and childcare. The Library pays 100% (percent) of the cost for a single person medical policy for full-time employees. The employees, through the cafeteria plan, can opt to pay the family plan premium. Cafeteria plan expense to the Library for the fiscal year ended June 30, 2014 was \$198,461.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 6. Employee Benefits (cont.)

Vacation

The Library's vacation policy permits employees to earn paid time off, after a six-month period, accrued from the start of employment. Employees must work at least twenty hours per week. Accrued but unused leave in excess of ten days may not be carried over to the following calendar year. Excess days are lost and the employee is not entitled to receive the cash equivalent. Vacation is accrued as compensated absence payable. During fiscal year 2014, prior accrued vacation pay of \$22,079 was used and lowered compensation expense. Vacation pay earned and accrued during 2014 was \$22,997. The amounts netted, resulted in an increase of compensation of \$918.

Sick Leave

The Library's sick leave policy permits the accumulation of sick days up to a maximum of 1000 hours for employees working at least 20 hours per week at the rate of one (1) workday per each month worked. Excess sick leave is forfeited at the end of each fiscal year. Unless retiring, employees are not paid for unused sick days upon termination of employment. The retiring employee sick leave balance, expressed in days, shall be divided by the average number of working days per month in county service and rounded to the nearest number of whole months. A maximum of six (6) months of the employee's sick leave balance, expressed in months, shall be added to his service credit when determining his annual retirement allowance. Sick leave in excess of six (6) months shall be added to the member's service credit if the employee and Library pays to the retirement system the value of the additional service credit based on the formula adopted by the board. As the numbers of employees eligible for this option is low and amounts are immaterial, the Library has made no provisions in the financial statements for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 7. Retirement Plan

Plan description

The Library contributes in the County Employees Retirement System (CERS) for non-hazardous employees. The CERS Plan is a qualified cost-sharing, multiple-employer public defined benefit pension plan under Section 401 (a) of the Internal Revenue Code. CERS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of participating employees. The CERS Plan is administered by an elected Board of Trustees under the Kentucky Retirement System. Employee contribution rates are set by statute, while employer contribution rates are determined by the Board of Trustees to be necessary for the actuarial soundness of the retirement system.

Ten year historical trend information, showing CERS's progress in accumulating sufficient assets to pay benefits when they are due, is presented in the CERS Annual Financial Reports (which are a matter of public record). The most recent available information as of June 30, 2013 for CERS Pension funds for Non-Hazardous funds shows the total actuarial accrued liability was \$9,378,876,114, the unfunded liability was \$3,741,781,631 and the actuarial value of asset were equal to \$5,637,094,483. The Commonwealth of Kentucky's Comprehensive Annual Financial Report should be referred to for additional disclosures related to the CERS or by contacting the Kentucky Retirement Systems office in Frankfort, Kentucky.

The plan does not make separate measurements of assets and pension benefit obligations for the individual employer. The pension benefit obligation, net assets available for benefits and historical trend information for the entire plan will be presented in the Commonwealth of Kentucky's Comprehensive Annual Financial Report for the year ended June 30, 2014.

Description of Funding Policy

Employee participation in the plan consists of payroll withholdings for each regular member at 5% (if hired before September 1, 2008) and 6% (if hired after September 1, 2008) of their gross pay. For members hired on or after January 1, 2014, a Hybrid Cash Balance plan is offered. Members will contribute 6% of their gross pay.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 7. Retirement Plan (Continued)

Currently, employees become vested after 5 years. Each employee working 25 or more hours per week, on a regular basis, is a participating member. The table below shows contributions made for the last three fiscal years:

Fiscal Year	Required Employee Contributions	Required Employer Contributions	Totals	Percent Required Payments
6/30/14	\$ 51,264	\$ 176,302	\$ 227,566	100.00%
6/30/13	45,680	169,853	215,533	100.00%
6/30/12	37,190	133,079	170,269	100.00%
6/30/11	32,282	103,404	135,686	100.00%

NOTE 8. Capital Assets

During the year, the Library purchased computers, other electronics and equipment totaling \$106,615. Obsolete or replaced equipment and software with an original cost of \$24,537 and depreciation \$19,264 were removed and the loss of \$5,273 is reported in the statement of activities. Depreciation expense of \$245,956 was taken and the collection decreased in value by \$80,414.

In the year ending June 30, 2015, the Library will begin construction to expand the current library. Plans and other start-up costs have been included in work in process in the amount of \$150,000.

Capital asset activity for the year ended June 30, 2014 was as follows:

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 8. Capital Assets (cont.)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land & easements	\$ 1,111,673	\$	\$	\$ 1,111,673
Work in Process		150,000		150,000
Books & A/V material	<u>1,446,919</u>		<u>80,414</u>	<u>1,366,505</u>
	<u>2,558,592</u>	<u>150,000</u>	<u>80,414</u>	<u>2,628,178</u>
Capital assets, being depreciated:				
Building & improvement	3,980,669			3,980,669
Furniture & equipment	358,851	18,443		377,294
Software	329,051			329,051
Electronic equipment	283,644	88,172	24,537	347,279
Less accumulated depreciation	<u>(2,312,040)</u>	<u>(245,956)</u>	<u>(19,264)</u>	<u>(2,538,732)</u>
Total assets being depreciated, net	<u>2,640,175</u>	<u>(139,341)</u>	<u>5,273</u>	<u>2,495,561</u>
Total Governmental Activities Capital assets net	<u>\$ 5,198,767</u>	<u>\$ 10,659</u>	<u>\$ 85,687</u>	<u>\$ 5,123,739</u>

NOTE 9. Fund Balances and Net Position

The Library has the following governmental fund balances:

Non-spendable fund balance is associated with inventories, prepaid, or other non-spendable items. The Library has non-spendable inventory in the amount of \$2,075, prepaid rent of \$75,000 and payables of \$51,727.

Restricted fund balances included amounts that can only be spent for specific purposes. The Library's restricted funds consist of \$28 for debt service reduction.

Committed fund balances include amounts that can be used only for specific purposes. The Library has no committed fund balances.

Assigned fund balanced are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Library has assigned \$1,880,411 future building fund expansion and repairs. The Library has set a stabilization amount of \$431,206.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 9. Fund Balances and Net Position (cont.)

Unassigned funds consist of the residual classification of the general funds spendable amount not contained in the other classification. The Library's unassigned funds are \$1,637,045.

The government-wide classifications consist of three categories.

Invested in capital assets, net of related debt, which includes all fixed assets less depreciation less the amount of debt related to the acquisition of those assets. The Library has capital assets less capital debt of \$4,873,663.

Restricted for the specific purpose and cannot be used for other purposes. The Library has \$28 restricted for debt reductions.

Unrestricted which consist of remaining not included above. The Library's unrestricted net assets as of June 30, 2014 were assigned to the building fund (\$1,880,411), a stabilization amount (\$431,206), leaving unassigned \$1,715,703.

NOTE 10. Long-Term Debt

Bonds Payable

On November 18, 2004, the Library issued general obligation bonds of \$1,155,000 with interest rates of 2% to 3.7% to advance refund revenue bonds with interest rates of 5.375% to 5.75% of \$1,195,000. The bonds, of various maturities, mature on September 1, 2005 thru September 1, 2015 and were callable on September 1, 2005. Additional funds from the Series 1995 Debt Service Reserve Fund netting \$71,598 were transferred to the agent.

The general obligation bonds were issued at a discount of \$14,393 and after paying issue costs of \$24,505 and accruing interest payable of \$4,479, the net proceeds were \$1,120,581. These funds less the net funds transferred of \$71,598 were transferred to the trustee, in the amount of \$1,048,983.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 10. Long-Term Debt (cont.)**Bonds Payable (cont.)**

The net proceeds from the issuance of general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on September 1, 2005. Savings from the early retirement of the 1995 bonds were calculated to be \$257,341. Funds required for refunding of \$1,262,825 less principal on bonds of \$1,195,000 plus discounts of \$41,335 resulted in a deferred gain on refunds of \$109,160. The economic gain was fully realized during previous years upon redemption of the original bonds.

Interest on the bonds will be due September 1 and March 1, commencing September 1, 2005. The bonds mature each April 1 and thereafter as shown below. The bonds were issued in denominations of \$5,000 each or integral multiples thereof.

<u>Due Sept 1</u>	<u>Amount</u>	<u>Rate</u>
2005	\$90,000	2.000
2006	95,000	2.250
2007	95,000	2.250
2008	95,000	2.500
2009	100,000	2.750
2010	100,000	3.000
2011	110,000	3.200
2012	110,000	3.300
2013	120,000	3.500
2014	120,000	3.600
2015	120,000	3.700
Totals	<u>\$1,155,000</u>	

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 10. Long-Term Debt (cont.)Bonds Payable (cont.)

Bond Debt Service Requirements to Maturity are listed below:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,000	46,809	166,809
2015	<u>120,000</u>	<u>5,809</u>	<u>125,809</u>
Total	<u>\$ 240,000</u>	<u>\$ 52,618</u>	<u>\$ 292,618</u>

Capital Leases:

In 2014, the Library entered into a lease agreement with Dell to finance the acquisition of eighteen public use computers. The 36 month lease, has an imputed interest rate of 1.50% has monthly payment of \$540.81 through November 2016. During the current year, principal of \$4,058 and interest of \$234 were paid. The outstanding principal as of June 30, 2014 totals \$5,630

In 2010, the Library entered into a lease agreement with Dell to finance the acquisition of eighteen public use computers. The 36 month lease, at an imputed interest rate of 3.50%, has monthly payments of \$396 through October 2013. During the current year, principal of \$1,573 and interest of \$301 were paid. Upon completion of the lease, the Library elected to return the computers and lease newer models as described in the lease discussed above.

As of June 30, 2014, the future minimum lease payments under the above outstanding leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,131	\$ 359	\$ 6,490
2016	6,184	306	6,490
2017	<u>2,593</u>	<u>111</u>	<u>2,704</u>
Totals	<u>\$ 14,908</u>	<u>\$ 776</u>	<u>\$ 15,684</u>

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 10. Long-Term Debt (cont.)

Debt reduction included redemption of bonds for \$120,000 and the payment of \$10,860 in related interest. In November a capital lease for computer equipment expired and the equipment was returned to the lessor and a new lease was entered into. Following is a summary of changes in long-term debt for the year ended June 30, 2014:

Description & Purpose	Balance July 1, 2013	Issued (Retired)	Balance June 30, 2014	Due Within One Year
	\$	\$	\$	\$
GOB Series 2004	360,000	(120,000)	240,000	120,000
Capital Lease		14,908	14,908	6,131
Capital Lease	1,573	(1,573)	-	-
Totals	\$ 361,573	\$ (106,665)	\$ 254,908	\$ 126,131

Other Operating Leases:

In June 2014, the Library entered into lease for a temporary location during the planned expansion. The expenses has been included in capital expenses in the modified governmental statements and has been reclassified as prepaid expense in the government-wide statements. The lease for 18 months, calls for \$75,000 upon signing the lease and an additional \$45,000 on January 1, 2015. As of January 1, 2016, the Library has the option of continuing the lease on a month by month basis, with monthly payments of \$8,305.

NOTE 11. Property Tax Calendar

Property taxes for fiscal year 2013 were levied October 1, 2013 on the assessed property located in Jessamine County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2014

NOTE 11. Property Tax Calendar (Continued)

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. Face value payment period	To December 31
3. Past due date, 5% penalty	January 1
4. Interest charge	16% per annum effective February 1

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

Note 12. Subsequent Event

The new Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* will be adopted by the Library for the year beginning July 1, 2014. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*.

According to GASB, “the new Statements relate to accounting and financial reporting issues only—how pension costs and obligations are measured and reported in audited external financial reports. The Statements do not address how governments approach pension plan funding—a government’s policy regarding how much money it will contribute to its pension plan each year.” The changes are designed to improve pension information and increase the transparency, consistency, and comparability of pension information across governments.

Government-wide, pension accounting and reporting will be based on actuarial information rather than required payments made. This means the Library will report its Actuarially Required Contribution, (ARC) and its portion of the Net Pension Liability (NPL). Pension expense will include annual adjustments that may be gains or losses.

The Library is unable to determine what adjustments may be required to government-wide financial statements at this time or whether sufficient information exists to restate beginning numbers.

Required Supplementary Information

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Total Actual	(Favorable) Unfavorable Variance
Revenues					
Taxes					
Motor vehicles	\$ 100,467	\$ -	\$ 100,467	\$ 145,265	\$ (44,798)
Delinquent	54,910	-	54,910	48,699	6,211
Property taxes	3,250,110	-	3,250,110	3,425,683	(175,573)
Inter county motor vehicle	1,000	-	1,000	15,874	(14,874)
Omitted tangible	38,038	-	38,038	42,155	(4,117)
Telecommunications tax	15,293	-	15,293	19,979	(4,686)
Total Taxes	3,459,818	0	3,459,818	3,697,655	(237,837)
State Funding					
Per capita income	24,000	-	24,000	26,384	(2,384)
Other grants	-	-	-	250	(250)
Total State Funding	24,000	0	24,000	26,634	(2,634)
Other Income					
Gift income	2,500	-	2,500	3,191	(691)
Fines & copies	52,000	-	52,000	59,625	(7,625)
Staff purchase reimbursements & other	500	-	500	12,333	(11,833)
Resale items (net of cost of goods sold)	1,000	-	1,000	127	873
Interest income	3,500	-	3,500	25,899	(22,399)
Total Other	59,500	0	59,500	101,175	(41,675)
Total Revenues	3,543,318	0	3,543,318	3,825,464	(282,146)
Prior year fund balance					
Appropriated for current year budget	-	-	-	3,347,254	(3,347,254)
Total revenues & prior year fund balance	3,543,318	0	3,543,318	7,172,718	(3,629,400)

See accompanying notes to financial statements

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
General Fund (Continued)
Statement of Revenues, Expenditures, Encumbrances, and
Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended June 30, 2014

Expenditures	Original Budget	Revisions	Revised Budget	Total Actual	(Favorable) Unfavorable Variance
Compensation	\$ 1,260,115	\$	\$ 1,260,115	\$ 1,209,657	\$ (50,458)
Salaries	95,496		95,496	83,643	(11,853)
Payroll taxes	181,551		181,551	179,455	(2,096)
Retirement	212,398		212,398	198,461	(13,937)
Medical insurance	8,000		8,000	7,404	(596)
Workers' compensation	11,000		11,000	12,228	1,228
Other employee expenses	1,768,560	0	1,768,560	1,690,848	(77,712)
Total Compensation	\$ 1,260,115	\$	\$ 1,260,115	\$ 1,209,657	\$ (50,458)
Library Materials	236,000		236,000	232,972	(3,028)
Books	13,000		13,000	11,512	(1,488)
Periodicals	137,500		137,500	128,688	(8,812)
Audio visual	40,000		40,000	35,621	(4,379)
Electronic materials	45,500		45,500	45,562	62
Databases	17,000		17,000	14,808	(2,192)
Binding/processing	41,000		41,000	40,183	(817)
Electronic licenses	530,000	0	530,000	509,346	(20,654)
Total Library Materials	236,000		236,000	232,972	(3,028)
Operating Expenditures	50,000		50,000	50,261	261
Utilities	15,000		15,000	10,934	(4,066)
Communications	23,000		23,000	18,164	(4,836)
Building maintenance	68,000		68,000	59,675	(8,325)
Building & equipment repairs	25,000		25,000	25,485	485
Insurance & bonding	21,000		21,000	21,392	392
Professional fees	11,000		11,000	7,649	(3,351)
Landscape service	33,000		33,000	16,508	(16,492)
Contract labor	159,400		159,400	153,091	(6,309)
Computer repairs & maintenance	28,000		28,000	21,136	(6,864)
Office supplies	5,000		5,000	4,934	(66)
Postage	19,500		19,500	24,139	4,639
Copier & other maintenance leases	70,000		70,000	72,633	2,633
Programming supplies	57,000		57,000	49,540	(7,360)
Public relations					

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
General Fund (Continued)
Statement of Revenues, Expenditures, and
Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Total Actual	(Favorable) Unfavorable Variance
Continuing education/training	\$ 57,000	\$	\$ 57,000	\$ 39,207	\$ (17,793)
Outreach program	4,000		4,000	3,195	(805)
Board expense	2,000		2,000	443	(1,557)
Other staff expenses	12,500		12,500	7,154	(5,346)
Total Operating Expenditures	660,400	0	660,400	585,640	(74,760)
Total Revenues Over Expenditures	584,358	0	2,958,960	4,386,884	1,427,924
Other Financing Sources (Uses)					
Furniture & equipment	(26,000)		(26,000)	(14,207)	11,793
Computer & software	(45,000)		(45,000)	(41,500)	3,500
Rent expense-temporary	0		0	(75,000)	(75,000)
Work in process-expansion	(150,000)		(150,000)	(150,000)	0
Transfer to debt service	(131,000)		(131,000)	(130,860)	140
Total Other Financing Sources (Uses)	(352,000)	0	(352,000)	(411,567)	(59,567)
Total Expenditures	\$ 3,310,960	\$ 0	\$ 3,310,960	\$ 3,197,401	\$ (113,559)
Excess of revenues and other sources over expenditures, and other uses	232,358	0	232,358	3,975,317	3,742,959
Less assigned for building fund (2)	(232,358)	0	(232,358)	3,975,317	232,358
Change in fund balance	0	0	0	3,975,317	3,975,317
Prior year fund balance:					
Fund balance, beginning(Non-GAAP budgetary basis)	\$ 3,347,254	\$	\$ 3,347,254		(3,347,254)
Less assigned prior year fund balance (1)	0	0	0		0
Fund balance, ending(Non-GAAP budgetary basis)	\$ 3,347,254	\$ 0	\$ 3,347,254	\$ 3,975,317	\$ 628,063

ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Funds assigned to building fund

Fund balance, ending (GAAP basis)

\$ 3,975,317

(1) The General Fund budget includes \$3,347,254 in fund balance carried over from prior years.
This is not a revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

(2) Previous general fund balances were set aside for building expansion in the near future. During the current year assigned funds of \$232,358 were used for the building fund.

See accompanying notes to financial statements.



Leta G. Mattingly, CPA
Nancy J. Clark, CPA
Veronica L. Roberts

Charles D. Fain, III, CPA
(1955-2002)

Members of
Kentucky Society of
Certified Public Accountants

American Institute of
Certified Public Accountants

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

The Board of Trustees
Jessamine County Public Library
Taxing District
Nicholasville, 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, each major fund, and the aggregate remaining fund information of the Jessamine County Public Library, a Library Taxing District, (Library), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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 (Continued)

A deficiency in internal control exists when the design or operation of a control does not allow management of 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 and 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 Library's financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and rant 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing standards*.

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 (Continued)

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.

We noted certain matters that we reported to management of the Library in a separate letter dated September 19, 2014.

This report is intended for the information of the Board of Trustees, management and appropriate grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Fain Mattingly CPA", written in a cursive style.

Fain, Mattingly & Associates, P.S.C.
Certified Public Accountants

September 19, 2014