

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Financial Statements and Supplemental Information

June 30, 2015

With Independent Auditors' Report Thereon

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JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

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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, 2015.

The Jessamine County Public Library, located in Nicholasville, Kentucky, has a central location in the county of approximately 50,815 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 41,983, 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 \$8,231,834 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$7,540,011.
- Total net assets are comprised of the following:
 - Capital assets, net of related debt, of \$6,652,527 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 \$31 are restricted by constraints imposed from outside the Library such as debt covenants, grantors, laws, or regulation.
 - Unrestricted net assets of \$1,579,276 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 \$2,855,464 this year. This compares to the prior year ending fund balance of \$3,975,345 showing a

decrease of \$1,119,881 during the current year. This decrease includes general fund operating revenues of \$655,253 and debt service funds show an increase of \$3 less other financing sources and uses netting to decreases of \$1,775,137.

- At the end of the current fiscal year, the fund balance for the General Fund was \$2,855,464, or 46.49% of total General Fund expenditures including transfers and 56.85% of total General Fund revenues including transfers.
- Total liabilities of the Library increased by \$869,732 to \$2,498,658 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 \$8,231,834. This is a \$691,823 increase over last year's net position of \$8,901,011 decreased by \$1,361,000 due to the prior period adjustment after the adoption of GASB 68. The following table provides a summary of the Library's net position:

	<u>Government Net Assets</u>		<u>Amount</u>	<u>Percent</u>
	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>Change</u>
Assets				
Current and other Assets	2,920,329	4,079,075	-1,158,746	-28.41%
Capital Assets	7,778,632	5,123,739	2,654,893	51.82%
Total Assets	10,698,961	9,202,814	1,496,147	16.26%
Deferred Outflows-Debt	3,782	7,023	-3,241	-46.15%
Deferred Outflows-Pension	174,749	106,000	68,749	64.86%
Liabilities				
Current Liabilities	176,065	180,048	3,983	2.21%
Long-Term Liabilities	1,002,593	128,778	-873,815	-678.54%
Net Pension Liability	1,320,000	1,320,000	0	0.00%
Total Liabilities	2,498,658	1,628,826	-869,832	-53.40%
Deferred Inflows-Pension	147,000	147,000	0	0.00%
Net Position				
Inv. In Cap. Assets, Net of Debt	6,652,527	4,873,663	1,778,864	36.50%
Assigned	31	28	3	10.71%
Unassigned	1,579,276	2,666,320	-1,087,044	-40.77%
TOTAL NET POSITION	8,231,834	7,540,011	691,823	9.18%

The Library reported positive balances in net position for governmental activities. Net position increased \$691,823 for governmental activities. The Library's overall financial position increased due to setting aside funding for the expansion which began 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 2%.

General fund expenditures during the current fiscal year were \$1,119,881 more than the revenues and government-wide expenses were \$691,823 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
	6/30/15	6/30/14	Change	Change
Revenue				
Book fines and copy fees	7,290	14,072	-6,782	-48.19%
Operating Grants, etc.	39,076	29,825	9,251	31.02%
General Revenues				
Property Taxes	3,925,539	3,697,655	227,884	6.16%
Interest and Investment Income	17,231	10,350	6,881	66.48%
Other revenues	32,044	58,013	-25,969	-44.76%
Total Revenues	4,021,180	3,809,915	211,265	5.55%
Total Expenses	3,329,357	3,088,601	-240,756	-7.79%
Change in Net Assets	691,823	721,314	-29,491	-4.09%
Net Assets beginning of year	7,540,011	8,179,697	-639,686	-7.82%
Prior Period Adjustment		-1,361,000	1,361,000	-100.00%
Net Assets end of year	8,231,834	7,540,011	1,813,021	24.05%

As mentioned earlier and illustrated above, the Library relies heavily upon property taxes to support governmental operations. Property taxes provided 97.59% and 96.66 % of the Library's total governmental revenues in fiscal years 2015 and 2014.

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 \$2,881,162. Of this year-end total, approximately \$1,527,265 is unassigned indicating availability for continuing Library service requirements. Non-spendable funds consist of \$23,872 for inventories and other current assets and a stabilization amount of \$849,897. Funds have been assigned for the building expansion for \$454,399 and debt service bank accounts consist of \$31.

The total ending fund balances of governmental funds show a decrease of \$1,119,881 from the prior year. This decrease was due primarily to setting the use of funds previously set aside funds for the expansion which began during the current 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 decreased \$1,119,884. Key factors contributing to this were conservative budgeting and building expansion expenditures.

The Debt Service Fund has a fund balance of \$31. 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 9.8 cents per hundred dollars in the year ended June 30, 2015. 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 2015 was originally and amended to \$3,934,147. This was an increase of \$241,609 over the previous year's amended budget. As loan proceeds and expansion costs were not part of the operating budget, but were using previous assigned funds, these items were not part of the operating budget.

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, 2015, was \$7,778,632. The total increase in this net investment was \$2,690,886 for the expansion, 333,764 for other purchases less depreciation of \$300,799, increasing overall by 2.654.894. Capital assets comprise 71.5% 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 \$126,105 plus repayment of the construction loan of \$1,000,000. Long-term debt increased by \$876,030 for the year or 77.53% 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 Trustees allocated the surplus, noted above, into two restricted funds, namely, Building Fund and Budget Stabilization Fund. Expenditures for the building expansion began in 2015 and the Board retired all post-construction debt in early 2016. Debt retirement prior to taking on new debt was a brilliant move by a conscientious Board of Trustees.

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.



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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, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2015, 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 25, 2015, 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 that reads "Lisa Mattingly CPA". The signature is written in a cursive, flowing style.

Fain, Mattingly & Associates, P.S.C., CPAs
Nicholasville, Kentucky
September 25, 2015

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Statement of Net Position
June 30, 2015

		Total Governmental Activities
<u>Assets</u>		
Cash and current assets		
Cash	\$ 1,001,575	\$
Investments	573,434	
Prepaid rent	39,167	
Inventory for resale	1,826	
Investments stabilization amount	849,897	
Investments-reserved for building	454,399	
Investments-reserved for debt reduction	31	
Total cash and current assets		2,920,329
<u>Capital Assets</u>		
Land	1,111,673	
Work in Process	2,840,886	
Books and A/V material	1,298,906	
Other capital assets, net of depreciation	2,527,167	
Total capital assets		7,778,632
Total Assets		10,698,961
Deferred Outflows of Resources-Debt		3,782
Deferred Outflows of Resources-Pension		174,749
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	18,339	
Payroll taxes payable	7,359	
Compensated absence	23,073	
Total current liabilities		48,771
<u>Current Portion of Long-term Debt</u>		
Current interest payable	1,110	
Current debt payable	6,184	
Current bond payable	120,000	
Total current portion of long-term debt		127,294
<u>Long-term Debt</u>		
Lease payable	2,593	
Construction loan payable	1,000,000	
Net pension liability	1,320,000	
Total long-term debt		2,322,593
Total Liabilities		2,498,658
Deferred Inflows of Resources-Pension		147,000
<u>Net Position</u>		
Net Investment in capital assets		6,652,527
Restricted for		
Debt service	31	
Total restricted		31
Unrestricted Net Assets		1,579,276
Total Net Position		\$ 8,231,834

See accompanying notes to financial statements

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Statement of Activities
For The Year Ended June 30, 2015

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	\$ 1,713,928	\$	\$	\$	\$ (1,713,928)
Library materials	562,888				(562,888)
Operating expenses	675,023	(7,290)	(39,076)		(628,657)
Depreciation expense	300,799				(300,799)
Interest expense	5,879				(5,879)
Amortization bond discount	3,241				(3,241)
Adjustment books and AV	67,599				(67,599)
Total Primary Government	<u>\$ 3,329,357</u>	<u>\$ (7,290)</u>	<u>\$ (39,076)</u>	<u>\$ 0</u>	<u>(3,282,991)</u>
Revenues					
District tax					3,925,539
Other revenue					32,044
Interest Income					18,587
Investment income					<u>(1,356)</u>
Total General Revenues					<u>3,974,814</u>
Excess of Revenues Over (Under)					
Change in Net Position					691,823
Net position beginning of year - 7/1/14					8,901,011
Prior period adjustment					<u>(1,361,000)</u>
Net position end of year - 6/30/15					<u>\$ 8,231,834</u>

See accompanying notes to financial statements.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Balance Sheet - Governmental Funds

June 30, 2015

	General Fund	Debt Service	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 1,001,575	\$	\$ 1,001,575
Investments	573,434		573,434
Investments stabilization amount	849,897		849,897
Investments reserved building	454,399		454,399
Investments reserved debt reduction		31	31
Inventory for resale	1,826		1,826
Total Assets	\$ 2,881,131	\$ 31	\$ 2,881,162
<u>Liabilities & Fund Equities</u>			
<u>Liabilities</u>			
Accounts payable	\$ 18,339	\$	\$ 18,339
Payroll taxes payable	7,359		7,359
Total Liabilities	25,698	0	25,698
<u>Fund Balances</u>			
Nonspendable			
Stabilization fund	849,897		849,897
Inventories and prepaid expenses	23,872		23,872
Restricted for debt service		31	31
Assigned for:			
Assigned to building fund	454,399		454,399
Unassigned	1,527,265		1,527,265
Total Fund Balance	2,855,433	31	2,855,464
Total Liabilities and Fund Balance	\$ 2,881,131	\$ 31	\$ 2,881,162

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, 2015

Total fund balance - total governmental funds	\$ 2,855,464
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets of \$10,539,920, net of accumulated depreciation of \$2,761,288, are not financial resources and, therefore are not reported in the funds. See the accompanying notes for additional detail	7,778,632
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,320,000)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions of \$174,749 equal deferred outflows of resources pension expense (from pension schedule) plus deferred outflow of 2015 employer contributions related to pensions.	174,749
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Deferred inflows of resources related to pensions (from pension schedule)	(147,000)
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Long-term liabilities of \$1,128,777 are not due and payable in the current period and are not reported in the funds, as well as bond interest payable of \$1,110 less unamortized bond discount of \$3,782. See the accompanying notes for detail	(1,126,105)
--	-------------

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.	<div style="border-top: 1px solid black; display: inline-block;">16,094</div>
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Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 8,231,834</div>
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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, 2015

	General Fund	Debt Service	Total Governmental Funds
Revenues.			
District tax	\$ 3,925,539	\$	\$ 3,925,539
State aid	25,156		25,156
Gift income	13,920		13,920
Copy fees & book fines	37,770		37,770
Investment income	18,587	3	18,590
Resale items (net of cost of goods sold)	4		4
Miscellaneous	1,560		1,560
Total Revenues	<u>4,022,536</u>	<u>3</u>	<u>4,022,539</u>
Expenditures:			
Compensation	1,782,602		1,782,602
Library materials	562,888		562,888
Programming	73,933		73,933
Operating expenses	498,087		498,087
Outreach program	3,396		3,396
Bond expense		120,000	120,000
Lease expense		6,131	6,131
Interest expense		6,959	6,959
Furniture & equipment	133,115		133,115
Computer & software	33,735		33,735
Leasehold improvement	146,437		146,437
Total Expenditures	<u>3,234,193</u>	<u>133,090</u>	<u>3,367,283</u>
Excess of Revenues Over (Under) Expenditures	<u>788,343</u>	<u>(133,087)</u>	<u>655,256</u>
Other Financing Sources (Uses)			
Loan proceeds		1,000,000	1,000,000
Rent-temporary location	(42,500)		(42,500)
Work in process-expansion	(2,589,133)		(2,589,133)
Building fund expense	(143,504)		(143,504)
Debt proceeds transfer	1,000,000	(1,000,000)	0
Debt service transfers	(133,090)	133,090	0
Total Other Financing Sources (Uses)	<u>(1,908,227)</u>	<u>133,090</u>	<u>(1,775,137)</u>
Excess of Revenues and Other Financing Sources Over (Under)			
Net change in fund balance	(1,119,884)	3	(1,119,881)
Fund Balance			
Beginning of Year - 7/1/14	<u>3,975,317</u>	<u>28</u>	<u>3,975,345</u>
Fund Balance			
End of Year - 6/30/15	<u>\$ 2,855,433</u>	<u>\$ 31</u>	<u>\$ 2,855,464</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, 2015

Net change in fund balances - total governmental funds \$ (1,119,881)
Amounts reported for *governmental activities* in the Statement
of Net Position 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	3,024,651
Depreciation expense	(300,799)
Adjustment books & A/V materials	(67,599)
Net loss on disposal of computer equipment	(1,359)

Governmental funds report district pension contributions as expenditures.
However in the Statement of Activities, the cost of pension benefits
earned, net of employee contributions, is reported as pension expense.

District pension contributions	174,749
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	(106,000)

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. (876,030)

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. (35,909)

Change in net position of governmental activities	\$ <u><u>691,823</u></u>
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See accompanying notes to financial statements

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements
June 30, 2015

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, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

D. Support and Revenue

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 9.8 cents per \$100.00 of assessed real property and 18.32 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.

E. Cash and Cash Equivalents and Investments

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, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

F. 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.

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

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (continued)

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.

G. 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.

H. 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.

I. Donated Services

Volunteers have contributed significant amounts of time to the operations of the Library. The financial statements do not reflect those contributed services.

J. 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.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

K. 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.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the County Employers' 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.

M. Deferred Outflows and Inflows

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned, net of employee contributions, is reported as pension expense

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.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 2. Basis of Presentation

Government-wide and Fund Financial Statements (Continued)

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.

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, 2015, the carrying amounts of the Library's deposits were \$2,879,336 and the bank balances were \$ 3,463,091. 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, 2015

NOTE 3. Cash and Investments (cont.)

Category 1. Insured \$ 972,247.

Category 2. Collateralized with securities held by the pledging financial institution \$2,490,844.

Category 3. Uncollateralized None.

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, 2015 held cash investments of \$31 in cash. Cash on hand equaled \$330. The financial statements reflect the following accounts:

	Unrestricted Funds	Assigned Restricted Funds	Total
<u>CASH</u>			
Checking	\$ 996,810	\$	\$ 996,810
FSA	4,435		4,435
Petty cash	330		330
Total Cash Accounts	<u>1,001,575</u>	<u>\$ -</u>	<u>1,001,575</u>
<u>INVESTMENTS</u>			
Stabilization fund			
Certificates of Deposits		839,876	839,876
Money Market		10,021	10,021
Building Fund		454,399	454,399
Debt Fund Money Market		31	31
Money Market	573,434		573,434
Total Investments	<u>573,434</u>	<u>1,304,327</u>	<u>1,877,761</u>
Total Cash & Investments	<u>\$ 1,575,009</u>	<u>\$ 1,304,327</u>	<u>\$ 2,879,336</u>

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 4. Revenues, Receivables and Other Current Assets

The Library's revenues, as explained in note one, are primarily from tax revenues, 97.59% and state aid and grants 0.97%. Copies, fines and fees comprise 0.94% during the current fiscal year and investments and other revenues comprise 0.50%.

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, 2015, 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	\$	2,075	Sales gross	\$	453
Inventory purchased		194			
Removed for publicity		(37)			
Cost of goods sold		<u>(406)</u>	Cost of goods sold		<u>(406)</u>
Ending inventory	\$	<u>1,826</u>	Net sales	\$	<u>47</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, 2015 was \$220,071.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

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 2015, prior accrued vacation pay of \$22,997 was used and lowered compensation expense. Vacation pay earned and accrued during 2015 was \$23,072. The amounts netted, resulted in an increase of compensation of \$75.

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, 2015

NOTE 7. Retirement Plan

Plan description

The Library has elected to participate in the County Employees Retirement System (CERS), a multi-employer defined benefit plan pursuant to KRS 78.530. The plan is administered by the Board of Trustees of the Kentucky Retirement Systems. The plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in position of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. There are three different pension benefit tiers within the defined benefit plan. The tier under which an employee falls is determined by the employee's participation date. The benefits an employee receives under a specific tier depend upon various factors such as the employee's age, length of service, classification, total compensation, etc.

Plan Membership

All employees of Library and other participating entities (other than those who work less than the required number of hours) are members of the CERS. Members are vested after 60 months of contributed service. The Plan has two classification of members.

- Non-hazardous employees: At June 30, 2014, there were 81,115 active members, 10,329 terminated members entitled to but not yet receiving benefits and 49,935 retired members currently receiving benefits.
- Hazardous: employees: At June 30, 2014, there were 9,194 active members, 588 terminated members entitled to but not yet receiving benefits and 7,646 retired members currently receiving benefits.

The Library only has non-hazardous employees.

Benefits Provided

Benefits for employees with participation dates prior to September 1, 2008: *Non-hazardous employees* who retire at or after age 65 with at least 48 months of credited service are entitled to a normal retirement benefit, payable monthly for life, equal to 2.00% to 2.20% of their final-average salary (final compensation) multiplied by their years of service. Final-average salary is the employee's average of five fiscal years (for a non-hazardous employee) during which the employee had the highest average monthly salary. Benefits fully vest on reaching five years of service. Vested non-hazardous employees may retire after 27 years of service regardless of age and receive full benefits or retire after age 55 and receive reduced retirement benefits. The CERS also provides death and disability benefits that were established by Kentucky State Statutes.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7. Retirement Plan (Continued)

Contributions

The payroll for employees covered by the CERS for the year ended June 30, 2015 totals approximately \$988,958. Covered non-hazardous employees are required by State statute to contribute 5.00% of their salaries to the plan. Covered non-hazardous employees are required by Kentucky State Statutes to contribute an additional 1% of their salaries to the plan if their participation date is on or after September 1, 2008. The Library's contractually required contribution rate for the year ended June 30, 2015, was 17.67% of the covered non-hazardous salaries, respectively, for the year ended June 30, 2015. Contributions to the pension plan from the District were \$174,749 for the year ended June 30, 2015.

Reconciliation of Employer Contributions

The reconciliation between the employer contributions used for the Schedule of Employer Allocations and the combining Statements of Changes in plan Net Position as of June 30, 2014 is presented below:

	<u>CERS Non-Hazardous</u>
Employer Contributions included in the Schedule of Employer Allocations	\$ 433,366,911
Transfers	7,308,686
Other Employer Contributions	4,813,264
Write off	<u>(96,784)</u>
Total employer pension and insurance contributions in the Statement of Changes in Plan Net Position	<u>\$ 445,392,077</u>

Employer insurance contributions are included in the above as part of the total employer contributions to calculate the proportionate shares.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7. Retirement Plan (Continued)

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

At June 30, 2015, the Library reported a liability of \$1,320,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating special governments, actuarially determined. At June 30, 2014, the Library's proportion was 0.040682 percent, which is the initial proportion upon adoption of GASB 68.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

For the year ended June 30, 2015, the Library recognized pension expense of \$106,000. At June 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on Pension Plan Investments	\$ _____	\$ <u>147,000</u>
Total	\$ <u><u>0</u></u>	\$ <u><u>147,000</u></u>

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7. Retirement Plan (Continued)

Actuarial Methods and Assumptions

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment , expense including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected 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 2005 through 2008, is outlined in a report dated August 25, 2009. 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 best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7. Retirement Plan (Continued)

Actuarial Methods and Assumptions

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.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the Kentucky Retirement Systems.

The schedule of the Library's proportionate share of the net pension liability is presented below. This Library is presenting on the current year due to this being the year that GASB 68 has been implemented and will be added to the presentation, to show ten years of information, as it becomes available.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 7. Retirement Plan (Continued)

	<u>2015</u>
District's proportion of the net pension liability	0.040682
District's proportionate share of the net pension liability	\$ 1,320,000
District's covered-employee payroll	\$ 988,958
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.334738179
Plan fiduciary net position as a percentage of the total pension liability	0.66801

The schedule of the Library's contribution is presented below. The Library is presenting on the current year due to this being the year that GASB 68 is being implemented and will add to the presentation to show ten years of information as it becomes available.

	<u>2015</u>
Contractually required contribution	\$ 174,749
Contributions in relation to the contractually required contribuion	\$ <u>(174,749)</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
District's covered-employee payroll	\$ 988,958
Contributions as a percentage of covered- employee payroll	0.17670

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 8. Capital Assets

During the year, the Library purchased computers, other electronics and equipment totaling \$187,327. Additionally leasehold improvements of \$146,437 were added and will be depreciated over the life of the lease. Obsolete or replaced equipment and software with an original cost of \$79,602 and depreciation \$78,243 were removed and the loss of \$1,358 is reported in the statement of activities. Depreciation expense of \$300,799 was taken and the collection decreased in value by \$67,599.

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 \$2,690,886.

Capital asset activity for the year ended June 30, 2015 was as follows:

	<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	2,690,886		2,840,886
Books & A/V material	<u>1,366,505</u>		<u>67,599</u>	<u>1,298,906</u>
	<u>2,628,178</u>	<u>2,690,886</u>	<u>67,599</u>	<u>5,251,465</u>
Capital assets, being depreciated:				
Building & improvement	3,980,669	146,437		4,127,106
Furniture & equipment	377,294	140,476		517,770
Software	329,051		53,393	275,658
Electronic equipment	347,279	46,851	26,209	367,921
Less accumulated depreciation	<u>(2,538,732)</u>	<u>(300,799)</u>	<u>(78,243)</u>	<u>(2,761,288)</u>
Total assets being depreciated, net	<u>2,495,561</u>	<u>32,965</u>	<u>1,359</u>	<u>2,527,167</u>
Total Governmental Activities Capital assets net	<u>\$ 5,123,739</u>	<u>\$ 2,723,851</u>	<u>\$ 68,958</u>	<u>\$ 7,778,632</u>

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

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 \$1,826 and payables of \$25,698.

Restricted fund balances included amounts that can only be spent for specific purposes. The Library's restricted funds consist of \$31 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 \$454,399 construction fund for the current expansion. The Library has set a stabilization amount of \$849,897.

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 \$1,527,265.

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 \$6,652,527.

Restricted for the specific purpose and cannot be used for other purposes. The Library has \$31 restricted for debt reductions.

Unrestricted which consist of remaining not included above. The Library's unrestricted net assets as of June 30, 2015 were \$1,579,276.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

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.

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.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 10. Long-Term Debt (cont.)

Bonds Payable (cont.)

Due Sept 1	Amount	Rate
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>	

Bond Debt Service Requirements to Maturity are listed below:

Year Ended June 30	Principal	Interest	Total
			-
2015	\$ 120,000	\$ 5,809	\$ 125,809
Total	<u>\$ 120,000</u>	<u>\$ 5,809</u>	<u>\$ 125,809</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% and has monthly payment of \$540.81 through November 2016. During the current year, principal of \$6,131 and interest of \$359 were paid. The outstanding principal as of June 30, 2015 totals \$8,777.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 10. Long-Term Debt (cont.)

Capital Leases: (Continued)

As of June 30, 2015, the future minimum lease payments under the above outstanding leases are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 6,184	\$ 306	\$ 6,490
2017	2,593	111	2,704
Totals	\$ 8,777	\$ 417	\$ 9,194

Debt reduction included redemption of bonds for \$120,000 and the payment of \$6,600 in related interest. Following is a summary of changes in long-term debt for the year ended June 30, 2015:

Description & Purpose	Balance July 1, 2014	Issued (Retired)	Balance June 30, 2015	Due Within One Year
	\$	\$	\$	\$
GOB Series 2004	240,000	(120,000)	120,000	120,000
Capital Lease	14,908	(6,131)	8,777	6,184
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	\$ 254,908	\$ (126,131)	\$ 128,777	\$ 126,184

Construction Loan

In July 2014, the Library entered into agreement with Kentucky Bank for financing the remodel of the existing Library. The loan amount is \$6,500,000, of which \$1,000,000 was drawn during the current year.

Repayment of the loan is a fixed rate of 2.78% for 10 years, with 18 months for construction and permanent financing for the balance. The loan will be amortized over a twenty year period and after the first 10 years, the loan converts to an adjustable rate loan, tied to the 5 year constant maturity of the Treasury rate plus 1.33%.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
Notes to Financial Statements (Continued)
June 30, 2015

NOTE 10. Long-Term Debt (cont.)

Other Operating Leases:

In June 2014, the Library entered into lease for a temporary location during the planned expansion. The expenses have been included in capital expenses in the modified governmental statements and have 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 2014 were levied October 1, 2014 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:

<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. Prior Period Adjustment

During the year, the new Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* was 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*.

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

Note 12. Prior Period Adjustment (Continued)

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.

Under the government-wide statements, pension accounting and reporting is 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.

As of July 1, 2014, the beginning government-wide unrestricted equity was debited \$1,361,000 and net pension liability and deferred inflows were credited \$1,320,000 and \$147,000, respectively. Pension expense was debited \$106,000.

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, 2015

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>(Favorable) Unfavorable Variance</u>
Revenues					
Taxes					
Motor vehicles	\$ 90,393	\$	\$ 90,393	\$ 152,571	\$ (62,178)
Delinquent	53,455		53,455	45,059	8,396
Property taxes	3,651,554		3,651,554	3,646,718	4,836
Inter county motor vehicle	11,100		11,100	17,954	(6,854)
Omitted tangible	27,850		27,850	43,260	(15,410)
Telecommunications tax	15,293		15,293	19,977	(4,684)
Total Taxes	<u>3,849,645</u>	<u>0</u>	<u>3,849,645</u>	<u>3,925,539</u>	<u>(75,894)</u>
State Funding					
Per capita income	24,000		24,000	18,867	5,133
Other grants	2		2	6,289	(6,287)
Total State Funding	<u>24,002</u>	<u>0</u>	<u>24,002</u>	<u>25,156</u>	<u>(1,154)</u>
Other Income					
Gift income	3,500		3,500	13,920	(10,420)
Fines & copies	52,000		52,000	37,770	14,230
Staff purchase reimbursements & other	500		500	1,560	(1,060)
Resale items (net of cost of goods sold)	1,000		1,000	4	996
Interest income	3,500		3,500	18,587	(15,087)
Total Other	<u>60,500</u>	<u>0</u>	<u>60,500</u>	<u>71,841</u>	<u>(11,341)</u>
Total Revenues	<u>3,934,147</u>	<u>0</u>	<u>3,934,147</u>	<u>4,022,536</u>	<u>(88,389)</u>
Prior year fund balance					
Appropriated for current year budget				3,975,317	(3,975,317)
Total revenues & prior year fund balance	<u>3,934,147</u>	<u>0</u>	<u>3,934,147</u>	<u>7,997,853</u>	<u>(4,063,706)</u>

See accompanying notes to financial statements

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
General Fund (Continued)
Statement of Revenues and Expenditures and
Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended June 30, 2015

	Original Budget	Revisions	Revised Budget	Total Actual	(Favorable) Unfavorable Variance
Expenditures					
Compensation					
Salaries	\$ 1,350,358	\$	\$ 1,350,358	\$ 1,278,505	\$ (71,853)
Payroll taxes	102,882		102,882	88,009	(14,873)
Retirement	183,065		183,065	177,144	(5,921)
Medical insurance	232,800		232,800	222,146	(10,654)
Unemployment/workers' compensation	23,000		23,000	15,703	(7,297)
Other employee expenses	2,000		2,000	1,095	(905)
Total Compensation	<u>1,894,105</u>	<u>0</u>	<u>1,894,105</u>	<u>1,782,602</u>	<u>(111,503)</u>
Library Materials					
Books	243,000		243,000	229,333	(13,667)
Periodicals	15,000		15,000	13,977	(1,023)
Audio visual	139,000		139,000	137,197	(1,803)
Electronic materials	50,000		50,000	54,772	4,772
Databases	56,000	15,000	71,000	71,244	244
Binding/processing	22,000		22,000	22,245	245
Electronic licenses	41,000		41,000	34,120	(6,880)
Total Library Materials	<u>566,000</u>	<u>15,000</u>	<u>581,000</u>	<u>562,888</u>	<u>(18,112)</u>
Operating Expenditures					
Utilities	52,000		52,000	50,637	(1,363)
Communications	15,000		15,000	18,354	3,354
Building maintenance	23,000		23,000	17,690	(5,310)
Building & equipment repairs	68,000		68,000	31,427	(36,573)
Insurance & bonding	27,000		27,000	27,594	594
Professional fees	21,000		21,000	22,208	1,208
Landscape service	11,000		11,000	4,743	(6,257)
Contract labor	22,000	8,400	30,400	22,046	(8,354)
Computer repairs & maintenance	161,400		161,400	141,281	(20,119)
Office supplies	28,000		28,000	23,064	(4,936)
Postage	7,000		7,000	6,135	(865)
Copier & other maintenance leases	21,500	5,500	27,000	22,295	(4,705)
Programming supplies	75,000		75,000	73,933	(1,067)
Public relations	58,000		58,000	73,637	15,637
Continuing education/training	58,500		58,500	28,183	(30,317)
Outreach program	5,500		5,500	3,396	(2,104)
Board expense	2,000		2,000	901	(1,099)
Other staff expenses	12,000		12,000	7,892	(4,108)
Total Operating Expenditures	<u>667,900</u>	<u>13,900</u>	<u>681,800</u>	<u>575,416</u>	<u>(106,384)</u>
Total Revenues Over Expenditures	<u>806,142</u>	<u>(28,900)</u>	<u>777,242</u>	<u>5,076,947</u>	<u>(4,299,705)</u>

See accompanying notes to financial statements

JESSAMINE COUNTY PUBLIC LIBRARY TAXING DISTRICT
General Fund (Continued)
Statement of Revenues and Expenditures and
Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended June 30, 2015

	Original Budget	Revisions	Revised Budget	Total Actual	(Favorable) Unfavorable Variance
Other Financing Sources (Uses)					
Debt proceeds	\$	\$	\$ 0	\$ 1,000,000	\$ (1,000,000)
Furniture & equipment	(26,000)	(110,000)	(136,000)	(133,115)	(2,885)
Computer & software	(60,000)	15,000	(45,000)	(33,735)	(11,265)
Leasehold improvements			0	(146,437)	146,437
Rent expense-temporary		(42,500)	(42,500)	(42,500)	0
Work in process-expansion			0	(2,589,133)	2,589,133
Transfer to debt service	(130,000)		(130,000)	(133,090)	3,090
Total Other Financing Sources (Uses)	(216,000)	(137,500)	(353,500)	(2,078,010)	1,724,510
Excess of revenues and other sources over expenditures, and other uses	\$ 590,142	\$ (166,400)	\$ 423,742	\$ 2,998,937	\$ (2,575,195)
Less assigned for building fund (2)	(150,000)		(150,000)	(143,504)	6,496
Change in fund balance	440,142	(166,400)	273,742	2,855,433	(2,581,691)
Prior year fund balance:					
Fund balance, beginning(Non-GAAP budgetary basis)	\$ 3,975,317	\$	\$ 3,975,317	3,975,317	0
Less assigned prior year fund balance (1)	(440,142)	166,400	(273,742)	(3,975,317)	(3,701,575)
Fund balance, ending(Non-GAAP budgetary basis)	\$ 3,975,317	\$ 0	\$ 3,975,317	2,855,433	\$ (1,119,884)

ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Funds assigned to building fund	
Fund balance, ending (GAAP basis)	\$ <u>2,855,433</u>

(1) The General Fund budget includes \$3,975,317 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 \$150,000 and \$143,504 were used for the building fund.

See accompanying notes to financial statements



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

Members of
Kentucky Society of
Certified Public Accountants
American Institute of
Certified Public Accountants

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

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, 2015, 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 25, 2015.

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 25, 2015.

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, reading "Fain, Mattingly & Associates, P.S.C.", followed by "CPA". The signature is written in a cursive, flowing style.

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

September 25, 2015