

GRANT COUNTY PUBLIC LIBRARY  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2017

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GRANT COUNTY PUBLIC LIBRARY  
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**INDEPENDENT AUDITOR'S REPORT**

Board Members  
Grant County Public Library  
Williamstown, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant County Public Library, as of and for the year ended June 30, 2017, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant County Public Library, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, and the Budgetary Comparison on page 27, Schedule of the Proportionate Share of the Net Pension Liability, on page 28, Schedule of the Pension Contributions on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issue our report dated August 30, 2017 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 30, 2017

**GRANT COUNTY PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2017**

As management of the Grant County Public Library (Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

The beginning cash balance for the Library was \$1,755,452.

The ending cash balance for the Library was \$2,071,274.

At the end of FY17 the library received \$1,225,793 in revenue, primarily from local taxes, fines and fees, and other charges. Additionally, State Funds contributed \$168,131 through the annual state contribution. The Library received \$9,827 from interest earned. The total income for the year was \$1,403,751. The total expenses for the year were \$1,088,625.

The 2016/2017 year has been a good one and many aspects of library service to the community have come together to make this a stellar year. The construction grant through the state was once again applied for and in the fall of 2016 we were one of many to be notified we were selected. As part of the process those libraries that were not selected have a period of time to contest the awards. At the eleventh hour this is what happened, which resulted in two additional libraries being funded and the amount awarded to the first proposals was reduced. In the late spring the Grant County Library was notified they would receive \$81,900 each year for 20 years to help pay for our \$3 million project. The addition to the library will provide for the addition of a Children's Library, a large meeting room and two additional small meeting rooms, a Teen area, expanded staff and storage area, and a small recording studio to help meet the goal of recording local stories and histories of Grant County residents. The library staff and board are excited about this opportunity to provide the county with the space for improved services. Construction should begin in late fall of 2017 and completed the following year.

Some changes have been made over the year in programming areas. It was observed that some programs were having smaller numbers and talking to families there was a desire to have something that everyone could attend. Programmers planned several family oriented programs and those have become very popular. Additionally we have had great attendance and feedback with the homeschool programs we have done the past two years. We, like most libraries, were caught up in the coloring craze and provided many people with lots of group coloring fun. Other programs that were popular included the writer's group, crocheting with a cause, a Veteran's art show, various STEM and STEAM programs, and Reading with Doc (Doc is a dog). The library continues to be a popular place for community groups to hold meetings and occasional staff trainings. We are continuing with the Literacy Bell initiative to encourage children to read their first book in Kindergarten and 1st grade.

Attendance for all programs is way up this year, in part for the increased number of programs, but also the inclusive family programs, outreach and service to the schools. We reached an all-time high of 11,916 attending all aspects of programs. As an example our YA and Homeschool numbers showed that out of 100 total programs 12 were outreach that reached 722 participants; 88 in house programs had 1,813 participants. In the Youth Services area there were 49 programs focused on elementary with 2,948 attending; 93 infant and toddler programs with 1,746 attending; and 20 family-style programs that

served 886 people. This is very exciting and I feel that we have a very cohesive and cooperative staff that brings all this into the mix. The entire staff works well together to get done whatever needs are there.

Two programs that bear mentioning are being able to host children's author, Penny Parker Klostermann who wrote *There was an Old Dragon Who Swallowed a Knight*. We were able to bring her to the community by partnering with the local school systems. She attended each of the six elementary schools and then provided a program at the library that evening. The second program was our first *How-To Festival*, which have proved to be popular throughout the state. The concept is for the public to take part in 15-30 minute programs during the day, each demonstrating a skill or art...or how to do something. Both of these were examples of two unique and very popular programs.

Outreach programs among the elderly and homebound has remained steady with some increases. Children's collections centered on early literacy materials are being delivered to day care centers and will be delivered to Sherman Elementary School during the school year. The Fueling the Mind program had another successful year. We changed two locations this year and only had five sites instead of the previous six. An additional change in the way lunches were counted resulted in fewer total lunches served but comparable first lunches provided.

As evidenced by the increase in number and quality programs and activities in and outside of the library, the library is an essential part of the personality and character of the community it serves. The library stands as the county's center for education, entertainment and information.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Library's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The statement of activities presents information showing how the Library's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the Library that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Library include public service, operation and maintenance of plant, and administration. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into three categories: governmental,

proprietary funds and fiduciary funds. The Library does not currently have any proprietary or fiduciary funds. All other activities of the Library are included in the governmental funds. The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 26 of this report.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$3,024,578 as of June 30, 2017.

The largest portion of the Library's net assets reflects its investment in capital assets.

The Library's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the period ending June 30, 2017 and June 30, 2016**

The Library is following GASB 34 the following is a comparison of assets, liabilities and net position. 2017 Government Wide compared to 2016 are as follows:

	<b>Net Position</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
Total Assets	\$4,075,375	\$3,851,970
Deferred Outflows of Resources	\$275,139	\$151,069
Total Liabilities	\$1,133,638	\$978,461
<b>Net Position</b>		
Investment in capital assets (net of related debt)	\$1,744,636	\$1,756,201
Restricted	100,702	18,286
Committed	994,313	726,427
Unrestricted	<u>377,225</u>	<u>523,664</u>
<b>Total Net Position</b>	\$3,216,876	\$3,024,578

**Changes in Net Position for the period ending June 30, 2017 and June 30, 2016**

The following presents a summary of revenue and expense comparing 2017 to 2016.

	<b>Changes in Net Position</b>	
	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Revenues</b>		
Taxes	\$1,194,480	\$1,184,092
Intergovernmental-state	168,131	87,836
Earnings on Investments	9,827	8,954
Other Local Revenues	29,988	31,295
Donations	<u>1,325</u>	<u>2,705</u>
<b>Total Revenues</b>	1,403,751	1,314,882
<b>Expenses</b>		
Public Service	961,821	851,947
Plant Operations	128,084	150,509
Library Administration	105,252	82,895
Interest Expense	<u>16,296</u>	<u>19,109</u>
<b>Total Expenses</b>	1,211,453	1,104,460
<b>Change in Net Position</b>	192,298	210,422
<b>Beginning Net Position</b>	<u>3,024,578</u>	<u>2,814,156</u>
<b>Ending Net Position</b>	\$3,216,876	\$3,024,578

The government's overall financial position and results of operations improved as a result of the year's operations as reflected in the increase in net position for the year.

**Budget Comments**

The Library's fiscal year is July 1 to June 30. The original budget was for \$1,420,500 a revision was done during the year, final budget was \$1,292,400.

**INFRASTRUCTURE**

The Library has not reported any infrastructure in the current financial statements.

**Analysis of Balances and Transactions of Individual Funds**

<b>Fund</b>	<b>Beginning</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Ending</b>
General Fund	\$1,725,775	\$1,251,751	\$1,019,041	\$1,958,485
Debt Service Fund	\$18,286	\$152,000	\$69,584	\$100,702

**Capital Assets**

<b>Governmental</b>	<b>Beginning</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending</b>
Capital Assets	\$3,539,453	\$89,224	\$0	\$3,628,677
Accumulated Depreciation	\$1,486,281	\$153,798	\$0	\$1,640,079

**CURRENT ISSUES**

Construction on the new addition will begin in the Fall

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Susan Nimersheim 859-824-2080, or by mail at 201 Barnes Road, Williamstown, KY 41097.



GRANT COUNTY PUBLIC LIBRARY  
STATEMENT OF NET POSITION  
GOVERNMENT WIDE  
As of June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$2,071,274
Accounts receivable	15,503
Capital Assets - Note C	3,628,677
Less: accumulated depreciation	<u>(1,640,079)</u>
Total assets	\$4,075,375
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension	\$275,139
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$17,919
Accrued wages	9,671
Accrued interest expense	1,283
<b>Long-term liabilities</b>	
Due within 1 year	56,031
Due in more than 1 year	187,931
Pension liability	<u>860,803</u>
Total liabilities	1,133,638
<b>NET POSITION</b>	
Net investment in capital assets	\$1,744,636
Restricted for:	
Debt service	100,702
Committed for:	
Depreciation	50,000
Capital Development	400,000
Contingency	544,313
Unrestricted	<u>377,225</u>
Total net position	\$3,216,876

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
GOVERNMENT WIDE  
For the year ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position	
			Operating Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
<b>Governmental Activities</b>							
Public service	\$961,821	\$0	\$29,988		(\$931,833)	\$	(\$931,833)
Plant operation and maintenance	128,084				(128,084)		(128,084)
Library administration	105,252				(105,252)		(105,252)
Interest expense	<u>16,296</u>		<u>16,296</u>		<u>0</u>		<u>0</u>
Total governmental activities	1,211,453	<u>0</u>	<u>46,284</u>	<u>0</u>	(1,165,169)		(1,165,169)
			<b>General Revenues</b>				
			Taxes		\$1,194,480		\$1,194,480
			Intergovernmental		151,835		151,835
			Contributions		1,325		1,325
			Investment earnings		<u>9,827</u>		<u>9,827</u>
			Total general		1,357,467		1,357,467
			Change in net position		192,298		192,298
			Net position - beginning		<u>3,024,578</u>		<u>3,024,578</u>
			Net position - ending		\$3,216,876		\$3,216,876

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$1,970,572	\$100,702	\$2,071,274
Other receivables	<u>15,503</u>		<u>15,503</u>
<b>TOTAL ASSETS</b>	<b>\$1,986,075</b>	<b>\$100,702</b>	<b>\$2,086,777</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$17,919	\$	\$17,919
Accrued wages	<u>9,671</u>		<u>9,671</u>
<b>Total liabilities</b>	<b>27,590</b>		<b>27,590</b>
<b>Fund Balances</b>			
<b>Restricted</b>			
Debt Service		100,702	100,702
<b>Committed</b>			
Depreciation	50,000		50,000
Capital Development	400,000		400,000
Contingency	544,313		544,313
Unassigned	<u>964,172</u>		<u>964,172</u>
<b>Total fund balances</b>	<b>1,958,485</b>	<b>100,702</b>	<b>2,059,187</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$1,986,075</b>	<b>\$100,702</b>	<b>\$2,086,777</b>

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 June 30, 2017

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$2,059,187</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		1,988,598
Deferred outflows of resources are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position		275,139
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(243,962)
	Pension Liability	(860,803)
	Accrued Interest on Bonds	<u>(1,283)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$3,216,876</b>

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the year ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
From local sources			
Taxes	1,194,480		1,194,480
Earnings on investments	9,727	100	9,827
Contributions	1,325		1,325
Other local revenues	29,988		29,988
Intergovernmental-State	<u>16,231</u>	<u>151,900</u>	<u>168,131</u>
Total revenues	1,251,751	152,000	1,403,751
Expenditures			
Public service	827,127		827,127
Plant operation and maintenance	86,662		86,662
Library administration	105,252		105,252
Debt service		<u>69,584</u>	<u>69,584</u>
Total expenditures	1,019,041	69,584	1,088,625
Excess(deficit)of revenues over expenditures	232,710	82,416	315,126
Fund balance, July 1, 2016	<u>1,725,775</u>	<u>18,286</u>	<u>1,744,061</u>
Fund balance, June 30, 2017	\$1,958,485	\$100,702	\$2,059,187

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2017

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

**Total net change in fund balances - governmental funds** \$315,126

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

	Depreciation Expense	(153,798)	
	Capital Outlays	<u>89,224</u>	(64,574)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position. 53,009

Deferred Outflows from Pension 124,070

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

	Change in Pension Liability	(235,612)	
	Change in Accrued Interest	<u>279</u>	

**Total Change in Net Position - Governmental Activities** \$192,298

See accompanying notes

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

The Grant County Public Library (Library) is a special taxing district created under Kentucky Revised Statutes 173.710. The Library was established on May 13, 1976.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities present a comparison between direct expenses and program revenues for each segment of the business-type activities of the Library and for each function or program of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Library.

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

Restricted Fund Balance

Fund balance will be reported as restricted when constraints placed on the use of resources are either, (a) externally imposed by creditors, granters, contributors, or laws or regulations or other governments; (b) imposed by laws through constitutional provisions or enabling legislation. The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Fund Financial Statements - Fund financial statements report detailed information about the Library. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the Library finances and meets the cash flow needs of its proprietary activities.

The Library has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the Library.
- (B) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.



GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

III. Proprietary Funds (Enterprise Fund)

The Proprietary Fund is used to account for business-type activities. The Library does not currently have any proprietary funds.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

The Fiduciary Fund is used to account for agency and private purpose trust funds. The Library does not currently have any fiduciary funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchanges and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Library available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirement are met are recorded as deferred revenue.

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$.097 per \$100 valuation for real property, \$.1506 per \$100 valuation for personal property, and \$.03 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the governmental-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of one thousand dollars. The Library does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25 - 50 years
Technology Equipment	5 years
Furniture and Fixtures	20 years

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

Budgetary Basis of Accounting: The Library's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The Library considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Subsequent Events

Subsequent events were considered through August 30, 2017, which represents the date of my report.

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources.

Fund Balance Reserves

The Library reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

Uses of Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B - PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2017 were levied on the assessed valuation of property located in the County as of January 1, 2016 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

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

GRANT COUNTY PUBLIC LIBRARY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Land and improvements	\$97,243	\$0	\$0	\$97,243
Buildings and improvements	2,031,673			2,031,673
Technology equipment	93,531	18,152		111,683
Vehicle	25,150			25,150
Furniture, fixtures, books	<u>1,291,856</u>	<u>71,072</u>		<u>1,362,928</u>
Totals at historical cost	3,539,453	89,224	0	3,628,677
Less: accumulated depreciation				
Buildings and improvements	610,631	51,128		661,759
Technology equipment	66,798	9,796		76,594
Vehicle	4,192	5,030		9,222
Furniture, fixtures, books	<u>804,660</u>	<u>87,844</u>		<u>892,504</u>
Total accumulated depreciation	1,486,281	153,798	0	1,640,079
Governmental Activities - Capital Assets - Net	\$2,053,172	(\$64,574)	\$0	\$1,988,598

**NOTE D - CONTINGENCIES**

The District sometimes receives funding from federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor's may request a refund of monies advanced or refuse to reimburse the Library for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant.

**NOTE E - INSURANCE AND RELATED ACTIVITIES**

The Library is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas are covered through the purchase of commercial insurance.

GRANT COUNTY PUBLIC LIBRARY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE F - CASH AND CASH EQUIVALENTS**

At year end, the carrying amounts of the Library's cash and cash equivalents was \$2,071,274. The bank balance was \$2,074,955. The difference is the result of deposits in transit, outstanding checks and cash on hand. Of the total bank balance \$250,000 was covered by federal deposit insurance and the balance was covered by collateral held in the Library's name at Forcht Bank. Therefore, at June 30, 2017 all deposit bank balances were fully collateralized or insured.

**NOTE G - BONDS PAYABLE**

The amount shown in the accompanying financial statements as bonds payable represents the Library's future obligations to make lease payments relating to the bonds issued aggregating \$857,750

The following schedule is a summary of future payments.

Fiscal Year	Principal	Interest	Fees	Total
2017-18	56,031	11,710	1,663	69,404
2018-19	59,250	9,021	1,280	69,551
2019-20	62,593	6,177	877	69,647
2020-21	<u>66,088</u>	<u>3,172</u>	<u>450</u>	<u>69,710</u>
	\$243,962	\$30,080	\$4,270	\$278,312

	Beginning	Additions	Deductions	Ending
Bonds	\$296,971	\$0	\$53,009	\$243,962

**NOTE H - COMMITTED FUNDS**

On March 12, 2012 the Board of Directors passed a resolution to commit the following funds:  
 A **Depreciation Fund** shall retain moneys necessary for renewing, restoring, replacing, or substituting Library property to maintain the Library's continuity of service. The initial balance shall be set at \$50,000 or such greater amount as may be determined by the Library Board.  
 A **Capital Development Fund** shall retain moneys necessary to support future building, renovation, and land acquisition projects for expansion purposes.  
 A **Contingency Fund** shall maintain a reserve of six months' operating expenses to be used for unforeseen emergencies such as late tax collection, property damage, and any other circumstances that would hinder the normal operation of the Library.

**NOTE I - GASB 68 and 71**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement were adopted by the District for the fiscal year beginning July 1, 2014.

**NOTE J - RETIREMENT PLAN**

Library employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contribution - For the year ended June 30, 2017 plan members were required to contribute 5% of their annual compensation. Members with a participation date on or after September 1, 2008 must contribute an additional 1%. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of the biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2017, participating employer's contributed 18.68% of each employee's creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.



GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE J - RETIREMENT PLAN (continued)**

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.68% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2017, the Library reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The Library's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2016. At June 30, 2016, the Library's proportion was 0.017483%.

For the year ended June 30, 2017, the Library recognized pension expense of \$143,083. At June 30, 2017, the Library reported deferred outflows of resources for Library contributions subsequent to the measurement date of \$77,304 and deferred outflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$197,835.00

Library contributions subsequent to the measurement date of \$77,304 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year:</u>	<u>Outflows</u>
2018	\$73,486
2019	49,164
2020	47,885
2021	27,300
2022	<u>0</u>
Total	\$197,835

**NOTE J - RETIREMENT PLAN (continued)**

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5 - year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

**Discount rate:** The discount rate used to measure the total pension liability was 7.50%.

**Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

**Long term rate of return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which 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 produced 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

**NOTE J - RETIREMENT PLAN (continued)**

in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Municipal bond rate:** the discount rate determination does not use a municipal bond rate.

**Periods of projected benefit payments:** projected future benefit payments for all current plan members were projected through 2117.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class, as provided by KRS's investment consultant, are summarized in the following table;

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.00%	5.40%
Combined Fixed Income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Private Equity	10.00%	8.50%
Real Estate	5.00%	4.50%
Absolute Return (Diversified Hedge Funds)	10.00%	4.25%
Cash Equivalent	2.00%	-0.25%
	100.00%	

Sensitivity of the Library's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Library's proportionate share of the net pension liability	\$1,072,691	\$860,803	\$679,160

GRANT COUNTY PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE J - RETIREMENT PLAN (continued)**

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>

Payables to the pension plan: At June 30, 2017 the Library had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

**SUPPLEMENTAL INFORMATION**

GRANT COUNTY PUBLIC LIBRARY  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$1,226,500	\$1,214,000	\$1,194,480	(\$19,520)
Earnings on investments	9,000	9,000	9,727	727
Other local revenues	26,600	28,600	31,313	2,713
Intergovernmental-State	<u>18,000</u>	<u>16,000</u>	<u>16,231</u>	<u>231</u>
<b>TOTAL REVENUES</b>	<b>1,280,100</b>	<b>1,267,600</b>	<b>1,251,751</b>	<b>(15,849)</b>
<b>EXPENDITURES</b>				
Public service	1,120,800	1,018,700	827,127	191,573
Plant operation and maintenance	194,000	168,000	86,662	81,338
Library administration	<u>105,700</u>	<u>105,700</u>	<u>105,252</u>	<u>448</u>
<b>TOTAL EXPENDITURES</b>	<b>1,420,500</b>	<b>1,292,400</b>	<b>1,019,041</b>	<b>273,359</b>
Excess (Deficit) of Revenues Over Expenditures	(140,400)	(24,800)	232,710	257,510
Fund Balance, July 1, 2016	<u>140,400</u>	<u>24,800</u>	<u>1,725,775</u>	<u>1,700,975</u>
Fund Balance, June 30, 2017	\$0	\$0	\$1,958,485	\$1,958,485

GRANT COUNTY PUBLIC LIBRARY  
 SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2017

	2017	2016	2015
Library's proportion of the net pension liability (asset) CERS	\$860,803	\$625,191	\$493,000
Library's proportionate share of the net pension liability (asset) CERS	0.017483%	0.01454%	0.015196%
Library's covered employee payroll CERS	\$408,219	\$485,024	\$348,874
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll CERS	210.87%	128.90%	141.31%

Note: The schedule is intended to show information for the last 10 fiscal years.  
 Additional years will be displayed as they become available.

GRANT COUNTY PUBLIC LIBRARY  
 SCHEDULE OF THE LIBRARY PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2017

	2017	2016	2015	2014
Contractually required contributions				
CERS	\$77,304	\$77,225	\$65,902	\$64,155
Contributions in relation to the contractually required contribution				
CERS	\$77,304	\$77,225	\$65,902	\$64,155
Contribution deficiency (excess)				
CERS	0	\$0	\$0	\$0
Library's covered employee payroll				
CERS	\$408,219	\$485,024	\$348,874	\$317,686
Contributions as a percentage of covered employee payroll				
CERS	18.94%	15.92%	18.89%	20.19%

Note: The schedule is intended to show information for the last 10 fiscal years.  
 Additional years will be displayed as they become available.



GRANT COUNTY PUBLIC LIBRARY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2017

Changes of benefit terms

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

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

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

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

Changes of assumptions

CERS

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

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.5% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used in the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).

For disabled members, the RP-2000 Combined Disabled Mortality Table project with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Grant County Public Library  
Members of the Board of Directors  
Williamstown, 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 Grant County Public Library, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated August 30, 2017.

**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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 30, 2017