

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

Year Ended June 30, 2015

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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, 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; 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, 2015, 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.

Emphasis of Matter

As described in Note J to the financial statements, the Library adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

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 23, 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 October 6, 2015 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
October 6, 2015

**GRANT COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015**

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, 2015. 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 \$1,354,056.

At the end of FY15 the library received \$1,140,322 in revenue, primarily from local taxes, fines and fees, and other charges. Additionally, State Funds contributed \$102,902 through the annual state contribution. The Library received \$7,811 from interest earned. The total income for the year was \$1,251,035. The total expenses for the year were \$997,107.

Overview

This past year and especially the past six months have been very busy and productive and wonderful as we expand our staff with new faces and our services to the community. When you come to the library now you will see both familiar faces and several new ones to greet you. This spring saw two of our professional staff take positions at other libraries, so we were able to fill those and added a Teen/Young Adult librarian. Additionally, we created an additional part time library assistant for the circulation desk.

Outreach

Providing service to the community and taking that service to people who aren't able to come to our building is one of our very important functions. This year our Library Express program provided 22 programs and provided over 2,400 materials to patrons throughout the county. Sebrena Harris has been providing this service for the past several years.

Facilities

Last year we completed work on the cupolas and have stopped all leakage problems. Over the past few years we have also been working on a slow changeover to LED lighting, both inside and outside the building. We have already seen a savings on utility bills and this is part of that effort.

Last year I applied for a construction grant through the state library, but unfortunately did not receive it. I will again be applying for a grant the next time it comes around. The grant would go to expand the current building entailing the addition of a much needed children's room separate from the main library, an additional and larger meeting room, storage, quiet study rooms, a family restroom, and a separate Teen area. Although we keep saving toward this end, at this time we are not able to build without the assistance of a grant.

Library Stats

During the past fiscal year for 2014-2015 the library had 105,192 visitors and had 17,058 cardholders. Our book collections is approximately 45,000 plus and additional access to over 91,000 electronic books. We have a little over 100 print magazines and an additional 40 digital access subscriptions. We have borrowed and lent over 700 interlibrary loans to our county's residents. Overall circulation is 156,283 items. Over the past year we have provided 381 programs to 6,601 people in Grant County.

Programs and Services

The library has expanded many of its services to the community by providing the outreach to Jonesville, Grant Manor, and many individuals of all ages throughout the county. Additionally, with the Teen programs we have seen numbers grow and grow - it is normal to see 18-24 youth signed up for a program. Adult and Children's programs are also doing well. We will be starting up computer instruction sessions again this fall. Also we now have two adult book discussion groups, one for fiction and another called Cook the Books for people who love to cook or eat or just like talking about food!

Speaking of food, we received the Fueling the Mind grant and served over 6,000 meals at 4 funded locations by the grant and two that the library self-funded.

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 district 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.

The government-wide financial statements can be found on pages 7 and 8 of this report.

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 \$2,814,156 as of June 30, 2015.

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, 2015 and June 30, 2014

The Library is following GASB 34 the following is a comparison of assets, liabilities and net position. 2015 Government Wide compared to 2014 are as follows:

	Net Position	
	<u>2015</u>	<u>2014</u>
Total Assets	\$3,673,799	\$3,513,459
Deferred Outflows of Resources	\$60,297	\$65,902
Total Liabilities	\$864,940	\$930,984
Deferred Inflows of Resources	\$55,000	\$17,687
Net Position		
Investment in capital assets (net of related debt)	\$1,721,651	\$1,753,362
Restricted	17,664	16,977
Committed	648,553	710,591
Unrestricted	<u>426,288</u>	<u>149,760</u>
Total Net Position	\$2,814,156	\$2,630,690

Changes in Net Position for the period ending June 30, 2015 and June 30, 2014

The following presents a summary of revenue and expense comparing 2015 to 2014.

	Changes in Net Position	
	<u>2015</u>	<u>2014</u>
Revenues		
Taxes	\$1,108,977	\$1,043,648
Intergovernmental-federal	0	255
Intergovernmental-state	102,902	93,582
Earnings on Investments	7,811	7,290
Other Local Revenues	30,626	35,217
Donations	<u>719</u>	<u>0</u>
Total Revenues	1,251,035	1,179,992
Expenses		
Public Service	814,003	722,391
Plant Operations	140,522	176,287
Library Administration	91,275	87,649
Interest Expense	<u>21,769</u>	<u>24,283</u>
Total Expenses	1,067,569	1,010,610
Change in Net Position	183,466	169,382
Pension Adjustment	0	(448,703)
Beginning Net Position	<u>2,630,690</u>	<u>2,910,011</u>
Ending Net Position	\$2,814,156	\$2,630,690

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 \$1,179,000 an amendment was done during the year, final budget was \$1,186,000.

INFRASTRUCTURE

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

Analysis of Balances and Transactions of Individual Funds

Fund	Beginning	Revenues	Expenses	Ending
General Fund	\$1,311,129	\$1,180,930	\$927,689	\$1,564,370
Debt Service Fund	\$16,977	\$70,105	\$69,418	\$17,664

Capital Assets

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$3,401,728	\$71,861	\$0	\$3,473,589
Accumulated Depreciation	\$1,253,878	\$150,972	\$0	\$1,404,850

CURRENT ISSUES

We are hoping to add onto the library in the next two years and continue to save toward that end. An addition would provide dedicated Youth Services area, a much larger meeting room, and a small amount of storage of which we currently have none. Additionally we would add staff space, a special Teen area, small meeting/study rooms, and a family restroom.

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, 2015

	Governmental
ASSETS	Activities
Cash and equivalents	\$1,593,265
Accounts receivable	11,795
Capital Assets - Note D	3,473,589
Less: accumulated depreciation	<u>(1,404,850)</u>
Total assets	\$3,673,799
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension	\$60,297
LIABILITIES	
Current Liabilities	
Accounts payable	\$19,115
Accrued wages	3,911
Accrued interest expense	1,826
Long-term liabilities	
Due within 1 year	50,117
Due in more than 1 year	296,971
Pension liability	<u>493,000</u>
Total liabilities	864,940
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	55,000
NET POSITION	
Net investment in capital assets	\$1,721,651
Restricted for:	
Debt service	17,664
Committed for:	
Depreciation	50,000
Capital Development	100,000
Contingency	498,553
Unrestricted	<u>426,288</u>
Total net position	\$2,814,156

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$1,575,601	\$17,664	\$1,593,265
Other receivables	<u>11,795</u>		<u>11,795</u>
TOTAL ASSETS	\$1,587,396	\$17,664	\$1,605,060
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$19,115	\$	\$19,115
Accrued wages	<u>3,911</u>		<u>3,911</u>
Total liabilities	23,026		23,026
Fund Balances			
Restricted			
Debt Service		17,664	17,664
Committed			
Depreciation	50,000		50,000
Capital Development	100,000		100,000
Contingency	498,553		498,553
Unassigned	<u>915,817</u>		<u>915,817</u>
Total fund balances	1,564,370	17,664	1,582,034
Total Liabilities and Fund Balance	\$1,587,396	\$17,664	\$1,605,060

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 June 30, 2015

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

Total Fund Balance - Governmental Funds	\$1,582,034
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	2,068,739
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	60,297
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position	(55,000)
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 (347,088)
	Pension Liability (493,000)
	Accrued Interest on Bonds <u>(1,826)</u>
Total Net Position - Governmental Activities	\$2,814,156

See accompanying notes

GRANT COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
From local sources			
Taxes	1,108,977		1,108,977
Earnings on investments	7,706	105	7,811
Contributions	719		719
Other local revenues	30,626		30,626
Intergovernmental-State	<u>32,902</u>	<u>70,000</u>	<u>102,902</u>
Total revenues	1,180,930	70,105	1,251,035
Expenditures			
Public service	746,270		746,270
Plant operation and maintenance	90,144		90,144
Library administration	91,275		91,275
Debt service		<u>69,418</u>	<u>69,418</u>
Total expenditures	927,689	69,418	997,107
Excess(deficit)of revenues over expenditures	253,241	687	253,928
Fund balance, July 1, 2014	<u>1,311,129</u>	<u>16,977</u>	<u>1,328,106</u>
Fund balance, June 30, 2015	\$1,564,370	\$17,664	\$1,582,034

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, 2015

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

Total net change in fund balances - governmental funds \$253,928

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	(150,972)	
	Capital Outlays	<u>71,861</u>	(79,111)

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.

47,400

	Deferred Outflows from Pension		(5,605)
	Deferred Inflows from Pension		(55,000)

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		21,605
	Change in Accrued Interest		<u>249</u>

Total Change in Net Position - Governmental Activities \$183,466

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, 2015

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, 2015

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, 2015

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, 2015, to finance the General Fund operations were \$.091 per \$100 valuation for real property, \$.1396 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, 2015

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, 2015 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 October 6, 2015, which represents the date of my report.

GRANT COUNTY PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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 2015 were levied on the assessed valuation of property located in the County as of January 1, 2014 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, 2015

NOTE C - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Land and improvements	\$97,243	\$0	\$0	\$97,243
Buildings and improvements	2,016,673			2,016,673
Technology equipment	156,966			156,966
Furniture, fixtures, books	<u>1,130,846</u>	<u>71,861</u>		<u>1,202,707</u>
Totals at historical cost	3,401,728	71,861	0	3,473,589
Less: accumulated depreciation				
Buildings and improvements	509,875	50,378		560,253
Technology equipment	133,826	8,842		142,668
Furniture, fixtures, books	<u>610,177</u>	<u>91,752</u>		<u>701,929</u>
Total accumulated depreciation	1,253,878	150,972	0	1,404,850
Governmental Activities - Capital Assets - Net	\$2,147,850	(\$79,111)	\$0	\$2,068,739

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, 2015

NOTE F - CASH AND CASH EQUIVALENTS

At year end, the carrying amounts of the Library's cash and cash equivalents was \$1,613,265. The bank balance was \$1,621,442. 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, 2015 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
2015-16	50,117	16,660	2,366	69,143
2016-17	53,009	14,255	2,023	69,287
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>
	\$347,088	\$60,995	\$8,659	\$416,742

	Beginning	Additions	Deductions	Ending
Bonds	\$394,488	\$0	\$47,400	\$347,088

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, 2015 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, 2015, participating employer's contributed 18.89% 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, 2015

NOTE J - RETIREMENT PLAN (continued)

The following are payroll and retirement amounts for the years ended June 30, 2015, 2014 and 2013

	2015	2014	2013
Total Payroll	428,799	430,198	376,833
CERS Total Payroll	350,674	348,874	317,686
CERS Contribution - Total	77,637	83,454	80,040
CERS Contribution - District	60,297	65,902	64,155
CERS Contribution - Employees	17,340	17,444	15,885

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 17.67% 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, 2015, the Library reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 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, 2014. At June 30, 2014, the Library's proportion was 0.015207%.

For the year ended June 30, 2015, the Library recognized pension expense of \$39,000. At June 30, 2015, the Library reported deferred outflows of resources for Library contributions subsequent to the measurement date of \$60,297 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$55,000.00

Library contributions subsequent to the measurement date of \$60,297 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, 2016. 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>	
2016	\$11,000
2017	11,000
2018	11,000
2019	11,000
2020	<u>11,000</u>
Total	\$55,000

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, 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	3.50%
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 weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10 year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alter expected returns in future years.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected

NOTE J - RETIREMENT PLAN (continued)

inflation. The target asset allocation and best estimates of arithmetic real 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>
Domestic Equity	30.00%	8.45%
International Equity	22.00%	8.85%
Emerging Market Equity	5.00%	10.50%
Private Equity	7.00%	11.25%
Real Estate	5.00%	7.00%
Core U.S. Fixed Income	10.00%	5.25%
High Yield Fixed Income	5.00%	7.25%
Non US Fixed Income	5.00%	5.50%
Commodities	5.00%	7.75%
TIPS	5.00%	5.00%
Cash	1.00%	3.25%
	100.00%	

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 of benefit payments to determine the total pension liability.

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.

GRANT COUNTY PUBLIC LIBRARY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE J - RETIREMENT PLAN (continued)

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$648,765	\$493,000	\$355,387

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, 2015 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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$1,053,000	\$1,065,000	\$1,108,977	\$43,977
Earnings on investments	7,000	7,000	7,706	706
Other local revenues	31,000	26,000	31,345	5,345
Intergovernmental-State	<u>18,000</u>	<u>18,000</u>	<u>32,902</u>	<u>14,902</u>
TOTAL REVENUES	1,109,000	1,116,000	1,180,930	64,930
EXPENDITURES				
Public service	969,190	975,914	746,270	229,644
Plant operation and maintenance	208,000	202,276	90,144	112,132
Library administration	<u>93,810</u>	<u>92,810</u>	<u>91,275</u>	<u>1,535</u>
TOTAL EXPENDITURES	1,271,000	1,271,000	927,689	343,311
Excess (Deficit) of Revenues Over Expenditures	(162,000)	(155,000)	253,241	408,241
Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>1,311,129</u>	<u>1,311,129</u>
Fund Balance, June 30, 2015	(\$162,000)	(\$155,000)	\$1,564,370	\$1,719,370

GRANT COUNTY PUBLIC LIBRARY
 SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For The Year Ended June 30, 2015

	2015
Library's proportion of the net pension liability (asset) CERS	\$493,000
Library's proportionate share of the net pension liability (asset) CERS	0.015196%
Library's covered employee payroll CERS	\$348,874
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll CERS	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, 2015

	2015	2014
Contractually required contributions		
CERS	\$65,902	\$64,155
Contributions in relation to the contractually required contribution		
CERS	\$65,902	\$64,155
Contribution deficiency (excess)		
CERS	\$0	\$0
Library's covered employee payroll		
CERS	\$348,874	\$317,686
Contributions as a percentage of covered employee payroll		
CERS	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, 2015

Changes of benefit terms
CERS - none

Changes of assumptions
CERS - none

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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

INDEPENDENT AUDITOR'S REPORT

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, 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 October 6, 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 (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
October 6, 2015