

**Kirkwood Public
Library**

Annual Financial Statements

For The Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Trustees
Kirkwood Public Library
Kirkwood, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Kirkwood Public Library, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Kirkwood Public 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 and major fund of the Kirkwood Public Library, as of June 30, 2016 and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3a-3d and 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016, on our consideration of the Kirkwood Public 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 Kirkwood Public Library's internal control over financial reporting and compliance.

Fick, Eggemeyer, Williamson, CPA's
St. Louis, Missouri
September 20, 2016

**KIRKWOOD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Our discussion and analysis of the Kirkwood Public Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Library's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Library exceeded its liabilities for the most recent fiscal year by \$6,203,563.
- The Library's total Net Position increased by \$424,481.
- At June 30, 2016, the unassigned fund balance for the general fund was \$4,093,368.
- There was a net increase of \$230,029 of revenues over expenditures in the general fund.
- The Library issued \$6,885,000 in Certificates of Participation during 2009 to renovate the library. The library renovation was completed in fiscal year 2011. As of June 30, 2016 the principal balance of outstanding Certificates of Participation was \$5,660,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds) and a comparison of the governmental funds to budget. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's only activity is governmental.

The Library has elected to present the statements in a simplified format permitted by GASB 34 for small governments.

The fund financial statements are presented in the first column of the Statement of Net Position and Governmental Funds Balance Sheet. The second column shows the adjustments from modified accrual to accrual and the third column represents the Library's Net Position on an accrual basis. The same format is used for the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

**KIRKWOOD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's condensed statement of net position follows:

	June 30, 2016	June 30, 2015
Assets		
Current and other assets	\$ 5,707,142	\$ 5,468,497
Capital assets, net	6,305,715	6,306,947
Total assets	12,012,857	11,775,444
Liabilities		
Current liabilities	354,207	342,021
Long-term liabilities	5,455,087	5,654,341
Total liabilities	5,809,294	5,996,362
Net position		
Net investment in capital assets	653,593	451,947
Restricted	770,610	545,789
Unrestricted	4,779,360	4,781,346
Total net position	\$ 6,203,563	\$ 5,779,082

Total Net Position of the Library as a whole increased \$424,481 during fiscal year 2016. Long-Term obligations decreased due to scheduled principal payments on the Certificates of Participation. Other liabilities mainly represent accrued interest on outstanding Certificates of Participation and accounts payable as of June 30, 2016. The largest portion of the Library's Net Position (77%) reflects unrestricted Net Position.

**KIRKWOOD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following is a summary of changes in Net Position for the years ended June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Revenues		
Program revenues:		
Charges for services	\$ 103,463	\$ 103,053
Operating grants & contributions	382,357	97,961
General revenues:		
Property taxes	2,119,377	2,134,682
Unrestricted grant income	3,637	13,759
Investment earnings (loss)	(24,485)	-
Gain (loss) on sale of assets	(2,968)	163
Miscellaneous	17,219	16,592
Total revenues	2,598,600	2,366,210
Expenses		
Library services	1,910,561	1,746,752
Interest and fiscal charges	263,558	268,701
Total expenses	2,174,119	2,015,453
Change in net position	424,481	350,757
Net position, beginning of year	5,779,082	5,428,325
Net position, end of year	\$ 6,203,563	\$ 5,779,082

Government-wide revenues and expenditures remained fairly consistent compared to 2015. By far, the largest revenue source is the property tax levy. In 2007, the voters approved a \$0.12 increase in the tax levy; of which \$.08 is used to pay the principal and interest on the Certificates of Participation that were issued in 2009 to renovate the library. The Friends of the Kirkwood Public Library continues to provide support to the Library.

Fund Financial Statement Analysis

The fund financial statements provide more detailed information about the Library's most significant funds. 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's only governmental fund is the general fund.

**KIRKWOOD PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The general fund houses the Library's operational activities and saw an increase of \$230,029 of revenues over expenditures. Included in the general fund is a \$541,007 debt service reserve fund as required by the Series 2009 Certificates of Participation. As of June 30, 2016, the general fund unassigned fund balance totaled \$4,093,368.

The Library strives to control operating expenses in order to maintain stability in charges for services rates. Staff members of the Library are diligent about purchasing. Every effort is made to find the lowest, and best, price for an item. If possible and feasible, bids are sought for services from more than one company. We feel that it is also important that we support our taxpaying Kirkwood businesses when possible.

Capital Assets

The Library has invested \$6,305,715 in capital assets net of accumulated depreciation. This investment in capital assets includes land, art collection, construction in progress, buildings, furniture and equipment and library materials. This amount represents a net decrease from the fiscal year June 30, 2015 of \$1,232. Additional information on capital assets can be found in Note 6 to the basic financial statements.

Long-Term Debt

The Library currently has no general obligation bonds outstanding. As of June 30, 2016, the Library has \$5,660,000 in Certificates of Participation outstanding. The Certificates bear interest at rates ranging from 3.00% to 5.00% and mature through 2033.

Standard & Poor's Ratings Services issued a long-term rating of AA-/Stable on the Library's series 2009 certificates of participation on January 23, 2009. The rating reflected the library's "covenant to budget and appropriate annual debt payments and its long-term credit quality." Their opinion was based on the area economy, income and wealth characteristics and the library's strong financial operations and low overall debt burden. Standard & Poor rated the library's financial management practices "good."

Further information regarding long-term debt may be found in Note 9 to the basic financial statements.

Financial Contacts

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If anyone has any questions about this report or needs additional information, contact Sarah Erwin at the Kirkwood Public Library, 140 E. Jefferson, Kirkwood, Missouri 63122.

KIRKWOOD PUBLIC LIBRARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,242,512
Investments	1,373,590
Property taxes receivable	72,193
Prepaid expenses	18,847
Total current assets	5,707,142
Noncurrent assets	
Land	12,600
Art collection	105,050
Capital assets, net of depreciation	6,188,065
Total noncurrent assets	6,305,715
TOTAL ASSETS	\$ 12,012,857
LIABILITIES	
Current liabilities	
Accounts payable	\$ 5,902
Accrued liabilities	36,157
Accrued interest payable	85,467
Long-term liabilities, current maturities	226,681
Total current liabilities	354,207
Noncurrent liabilities	
Compensated absences	2,965
Certificates of participation	5,452,122
Total noncurrent liabilities	5,455,087
TOTAL LIABILITIES	\$ 5,809,294
NET POSITION	
Net investment in capital assets	\$ 653,593
Restricted	770,610
Unrestricted	4,779,360
TOTAL NET POSITION	\$ 6,203,563

The notes to the financial statements are an integral part of this statement

KIRKWOOD PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Library services	\$ 1,910,561	\$ 103,463	\$ 382,357	\$ -	\$ (1,424,741)
Interest and fiscal charges	263,558	-	-	-	(263,558)
Total governmental activities	<u>\$ 2,174,119</u>	<u>\$ 103,463</u>	<u>\$ 382,357</u>	<u>\$ -</u>	<u>(1,688,299)</u>
General revenues:					
Property taxes					2,119,377
Unrestricted grant income					3,637
Loss on sale of assets					(2,968)
Investment earnings (loss)					(24,485)
Miscellaneous					17,219
Total general revenues					<u>2,112,780</u>
Changes in net position					424,481
Net position - beginning					<u>5,779,082</u>
Net position - ending					<u>\$ 6,203,563</u>

The notes to the financial statements are an integral part of this statement

KIRKWOOD PUBLIC LIBRARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund
ASSETS	
Cash and cash equivalents	\$ 4,242,512
Investments	1,373,590
Property taxes receivable	72,193
Prepaid expenses	18,847
TOTAL ASSETS	\$ 5,707,142
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 5,902
Accrued liabilities	36,157
Total liabilities	42,059
Deferred inflows of resources	
Unavailable revenue	60,587
Fund balance	
Nonspendable	18,347
Restricted	
Jill Raiser Memorial	4,603
Children's Room Improvements	225,000
Debt service	541,007
Committed	674,157
Assigned	48,014
Unassigned	4,093,368
Total fund balance	5,604,496
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,707,142

The notes to the financial statements are an integral part of this statement

KIRKWOOD PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance - governmental funds	\$	5,604,496
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$8,335,937 and the accumulated depreciation is \$2,030,222.		6,305,715
Property taxes not collected in the current period are not available to pay current expenditures and, therefore, are not reported as revenues in the governmental funds		60,587
Interest payable recorded in the statement of net position does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(85,467)
Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the governmental funds. All liabilities both current and long-term are reported in the Statement of Net Position.		
Compensated absences		(29,646)
Certificates of participation		(5,660,000)
Unamortized bond discount		7,878
		(5,681,768)
Net position of governmental activities	\$	6,203,563

The notes to the financial statements are an integral part of this statement

KIRKWOOD PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund
Revenues	
Property taxes	\$ 2,120,079
Fees and fines	103,463
Grants and gifts	385,994
Investment income (loss)	(24,485)
Other income	23,145
Total revenues	2,608,196
Expenditures	
Current	
Library services	1,812,255
Capital outlay	106,199
Debt service	
Principal	195,000
Interest and fiscal charges	264,713
Total expenditures	2,378,167
Net change in fund balance	230,029
Fund balances - beginning	5,374,467
Fund balances - ending	\$ 5,604,496

The notes to the financial statements are an integral part of this statement

KIRKWOOD PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - governmental funds	\$	230,029
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	410,077	
Depreciation expense	<u>(402,415)</u>	7,662
Disposal of capital assets		
Disposals	<u>(8,894)</u>	(8,894)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	<u>(702)</u>	(702)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in fund statements.</p>		
Compensated absences	231	
Interest payable	<u>1,924</u>	2,155
<p>The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. These amounts are the net effect of these differences in the treatment of long-term debt and related items:</p>		
Repayments:		
Certificate of participation	195,000	
Amortization of bond discount	<u>(769)</u>	<u>194,231</u>
Change in net position of governmental activities	\$	<u><u>424,481</u></u>

The notes to the financial statements are an integral part of this statement