

**Kirkwood Public  
Library**

**Annual Financial Statements**

For The Year Ended June 30, 2017

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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, 2017, 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, 2017 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 23-24 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 26, 2017 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 26, 2017

**KIRKWOOD PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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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, 2017. 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 \$7,403,040.
- The Library's total Net Position increased by \$1,199,477.
- At June 30, 2017, the unassigned fund balance for the general fund was \$4,128,025.
- General fund revenues exceeded expenditures by \$5,667,272.
- 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, 2017 the principal balance of outstanding Certificates of Participation was \$5,460,000.
- The Library issued \$5,580,000 in Certificates of Participation during 2017 to refinance the existing Certificates. As of June 30, 2017 the principal balance of outstanding Certificates of Participation was \$5,285,000.

**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, 2017**

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**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The Library's condensed statement of net position follows:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Assets</b>		
Current and other assets	\$ 11,366,221	\$ 5,707,142
Capital assets, net	6,962,907	6,305,715
Total assets	18,329,128	12,012,857
<b>Liabilities</b>		
Current liabilities	639,862	354,207
Long-term liabilities	10,286,226	5,455,087
Total liabilities	10,926,088	5,809,294
<b>Net position</b>		
Net investment in capital assets	2,043,303	653,593
Restricted	4,603	770,610
Unrestricted	5,355,134	4,779,360
Total net position	\$ 7,403,040	\$ 6,203,563

Total Net Position of the Library as a whole increased \$1,199,477 during fiscal year 2017. Long-Term obligations increased due to new obligations being issued in the current year and 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, 2017. The largest portion of the Library's Net Position (72%) reflects unrestricted Net Position.

**KIRKWOOD PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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The following is a summary of changes in Net Position for the years ended June 30, 2017 and 2016:

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 120,017	\$ 103,463
Operating grants & contributions	274,861	132,357
Capital grants & contributions	500,000	250,000
General revenues:		
Property taxes	2,276,269	2,119,377
Unrestricted grant income	3,315	3,637
Investment earnings (loss)	103,931	(24,485)
Gain (loss) on sale of assets	163,833	(2,968)
Miscellaneous	4,710	17,219
Debt proceeds:	157,307	-
Total revenues	3,604,243	2,598,600
<b>Expenses</b>		
Library services	1,957,155	1,910,561
Interest and fiscal charges	447,611	263,558
Total expenses	2,404,766	2,174,119
<b>Change in net position</b>	1,199,477	424,481
Net position, beginning of year	6,203,563	5,779,082
<b>Net position, end of year</b>	\$ 7,403,040	\$ 6,203,563

Government-wide revenues and expenditures remained fairly consistent compared to 2016. 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.

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, 2017**

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The general fund houses the Library's operational activities and saw an increase of \$5,667,272 in its fund. Included in the general fund is a \$5,829,999 debt service reserve fund to refund the Series 2009 Certificates of Participation. As of June 30, 2017, the general fund unassigned fund balance totaled \$4,128,025.

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 taxing Kirkwood businesses when possible.

Capital Assets

The Library has invested \$6,962,907 in capital assets net of accumulated depreciation. This investment in capital assets includes land, an art collection, construction in progress, buildings, furniture and equipment and library materials. This amount represents a net increase from the fiscal year June 30, 2016 of \$657,192. 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, 2017, the Library has \$10,745,000 in Certificates of Participation outstanding. The Certificates bear interest at rates ranging from 2.00% to 5.00% and mature on various dates through 2033.

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, 2017

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 3,606,539
Investments	7,677,740
Property taxes receivable	63,096
Prepaid expenses	18,846
Total current assets	11,366,221
Noncurrent assets	
Land	12,600
Art collection	40,050
Capital assets, net of depreciation	6,910,257
Total noncurrent assets	6,962,907
<b>TOTAL ASSETS</b>	<b>\$ 18,329,128</b>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	\$ 38,990
Accrued interest payable	115,855
Long-term liabilities, current maturities	485,017
Total current liabilities	639,862
Noncurrent liabilities	
Compensated absences	3,335
Certificates of participation	10,282,891
Total noncurrent liabilities	10,286,226
<b>TOTAL LIABILITIES</b>	<b>\$ 10,926,088</b>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 2,043,303
Restricted	4,603
Unrestricted	5,355,134
<b>TOTAL NET POSITION</b>	<b>\$ 7,403,040</b>

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, 2017

FUNCTIONS/PROGRAMS	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Library services	\$ 1,957,155	\$ 120,017	\$ 274,861	\$ 500,000	\$ (1,062,277)
Interest and fiscal charges	447,611	-	-	-	(447,611)
Total governmental activities	<u>\$ 2,404,766</u>	<u>\$ 120,017</u>	<u>\$ 274,861</u>	<u>\$ 500,000</u>	<u>(1,509,888)</u>
General revenues:					
Property taxes					2,276,269
Unrestricted grant income					3,315
Gain on sale of assets					163,833
Investment earnings (loss)					103,931
Miscellaneous					4,710
Debt proceeds					<u>157,307</u>
Total general revenues					<u>2,709,365</u>
Changes in net position					1,199,477
Net position - beginning					<u>6,203,563</u>
Net position - ending					<u>\$ 7,403,040</u>

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

KIRKWOOD PUBLIC LIBRARY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,606,539
Investments	7,677,740
Property taxes receivable	63,096
Prepaid expenses	18,846
<b>TOTAL ASSETS</b>	<b>\$ 11,366,221</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accrued liabilities	\$ 38,990
<b>Total liabilities</b>	<b>38,990</b>
 <b>Deferred inflows of resources</b>	
Unavailable revenue	55,463
 <b>Fund balance</b>	
Nonspendable	18,846
Restricted	
Jill Raiser Memorial	4,603
Debt service	5,829,999
Committed	1,165,031
Assigned	125,264
Unassigned	4,128,025
<b>Total fund balance</b>	<b>11,271,768</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	 <b>\$ 11,366,221</b>

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, 2017

Total fund balance - governmental funds		\$ 11,271,768
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$8,993,539 and the accumulated depreciation is \$2,030,632.		6,962,907
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		55,463
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.		(115,855)
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	(33,352)	
Certificates of participation	(10,745,000)	
Unamortized bond discount	7,109	(10,771,243)
Net position of governmental activities		\$ 7,403,040

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, 2017

	General Fund
Revenues	
Property taxes	\$ 2,281,393
Fees, fines and sales	119,568
Grants and gifts	778,176
Investment income (loss)	103,931
Other income	237,481
Total revenues	3,520,549
Expenditures	
Current	
Library services	1,860,432
Capital outlay	818,698
Debt service	
Principal	495,000
Interest and fiscal charges	292,075
Total expenditures	3,466,205
Revenues over (under) expenditures	54,344
Other financing sources (uses)	
Debt issuance costs	(124,379)
Debt proceeds	5,737,307
Total other financing sources (uses)	5,612,928
Net change in fund balance	5,667,272
Fund balances - beginning	5,604,496
Fund balances - ending	\$ 11,271,768

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, 2017

Net change in fund balances - governmental funds		\$ 5,667,272
<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	1,169,708	
Depreciation expense	<u>(444,027)</u>	725,681
Disposal of capital assets		
Disposals	<u>(68,489)</u>	(68,489)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	<u>(5,124)</u>	(5,124)
<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	(3,706)	
Interest payable	<u>(30,388)</u>	(34,094)
<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>		
Borrowing:		
Certificate of participation	<u>(5,580,000)</u>	(5,580,000)
Repayments:		
Certificate of participation	495,000	
Amortization of bond discount	<u>(769)</u>	<u>494,231</u>
Change in net position of governmental activities		<u>\$ 1,199,477</u>

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

KIRKWOOD PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Kirkwood Public Library (the "Library") was incorporated on December 11, 1926, under the provisions of the State of Missouri and is operated under a board of trustees and librarian form of management. The Council of the City of Kirkwood is responsible for appointing the governing members of the Library's board. The City of Kirkwood can remove a Library board member with cause. The City also approves the tax rate for the Library; Library employees also participate in its pension plan and medical insurance plan. The City has determined that the Library is not a component unit of the City.

The accounting and financial reporting policies of the Library conform to U.S. generally accepted accounting principles (GAAP) as applied to government entities. The following is a summary of the more significant policies.

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable or closely related.

While the Friends of Kirkwood Public Library was created with the purpose of providing volunteers and funds to assist the Library in serving the community, they are not required to be included as a component unit because the amount of financial support provided is of a de minimus nature. During fiscal 2017 Friends of Kirkwood Public Library ceased operations and transferred all remaining funds to the District.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Library. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements emphasize major governmental funds, each displayed in a separate column. Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Since the governmental fund financial statements and government-wide financial statements are combined, an adjustment column is provided to show the reconciliation between the two sets of financial statements. The notes to the financial statements further describe the adjustments by providing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

KIRKWOOD PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Library, available means expected to be received within sixty days of year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Library follows GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* (GASB 33), which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources.

GASB 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, governmental mandated nonexchange transactions, and voluntary nonexchange transactions.

The Library recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Board recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied.

Intergovernmental revenues, representing grants, entitlements, donations and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues. Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Fund Accounting

The accounts of the Library are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Library resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is used by the Library:

Governmental Funds

Governmental Funds are those through which most functions of the Library are financed. The Library's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. Governmental Funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.



KIRKWOOD PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as fund balance. The Library uses the following governmental fund type, which is considered a major fund:

General Fund

This fund is the general operating fund of the Library and accounts for all financial resources, except those required to be accounted for in another fund.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

The Library is governed by the deposit and investment limitations of state law. The Library's policy and state law authorize the following types of investments: United States Treasury and Agency Securities, Repurchase Agreements, Collateralized Certificates of Deposit (CD's), Banker's Acceptances and Commercial Paper. The Library's endowment assets may be invested in money market funds, short-term CD's, treasuries and federal agencies, fixed income, equity and alternatives. Investments are reported at market value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. The Library defines capital assets as assets with an initial, individual cost exceeding capitalization thresholds delineated below, and an estimated useful life in excess of one year.

KIRKWOOD PUBLIC LIBRARY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Capital assets used in operations are depreciated using the straight-line method, using asset lives and capitalization limits as follows:

	Years	Capitalization Limit
Exhaustible land improvements	10-25	\$ 5,000
Buildings	60	\$ 5,000
Building improvements	39-60	\$ 5,000
Furniture and equipment	4-20	\$ 500
Library materials	5-10	\$ 500

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Library does not possess any infrastructures.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums or discounts, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the straight-line method and the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 financial resources. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds, capital leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Compensated Absences

Employee vacations vest after six months of continuous service, and may be accrued for one year. Full-time employees may carry over accrued vacation into the following calendar year only. The maximum carryover is one half of that year's accrued vacation. Expenditures relating to employee vacations are recorded when paid. Vacation time earned but unused at year-end has been recorded as a liability in the government-wide financial statements. A liability is reported in the governmental funds only if the amount is due at year end and payable with current resources.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires the Library to make estimates and assumptions that affect the reported amounts in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

KIRKWOOD PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Governmental Fund Balances

Fund balance is the difference between assets and liabilities in a Governmental Fund. In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the following types of fund balances are presented in the Governmental Funds Balance Sheet:

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The Library's nonspendable fund balance consists of prepaid insurance.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The Library's restricted funds consist of the Jill Raiser Memorial and debt service.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Trustees, the Library's highest level of decision-making authority. The Library's committed fund balance consists of monies received from the dissolution of the Kirkwood Public Library Foundation and other gifts designed to benefit the Library in the long term.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Trustees or b) Executive Director. The Library's assigned fund balance includes amounts budgeted in the subsequent year.

Unassigned - available expendable financial resources in a governmental fund that are not designated for a specific purpose.

The Library uses restricted amounts first when both restricted and unrestricted fund balances are available, unless there are legal contracts that prohibit doing this.

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets represents the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The Library utilizes restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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**Note 2 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the Library. The county's fee for this service is 1.5% of the taxes collected.

Revenue recognition of delinquent property taxes not collected within sixty (60) days of fiscal year end is deferred. An allowance for uncollectable taxes has been provided for delinquent taxes.

The assessed valuation of the tangible taxable property for the calendar years 2016 and 2015 for purposes of local taxation was \$727,495,251 and \$722,555,948, respectively. The tax levy per \$100 of the assessed valuation of tangible taxable property was \$0.966 for the calendar years 2016 and 2015, for purposes of local taxation. The City of Kirkwood approves the property tax rate. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2016 and 2015 were as follows:

	2016	2015
Residential Real Estate	\$ 0.307	\$ 0.303
Commercial Real Estate	0.340	0.308
Personal Property	0.355	0.355
	\$ 1.002	\$ 0.966

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 99.3% of the current assessment computed on the basis of the levy as shown above.

**Note 3 - CASH AND INVESTMENTS**

Missouri Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 100% of the deposits not covered by insurance or corporate surety bonds.

**Custodial Credit Risk Deposits** - For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library has a custodial credit risk policy for deposits which requires these funds in excess of amounts federally insured to be collateralized and shall be granted safekeeping receipts specifying the type of collateral as allowed by law. At year-end, the carrying amount of the Library's deposits totaled \$4,336,160 and bank balances totaled \$4,404,412. The carrying amount also includes \$729,621 of certificates of deposit, which are listed as investments due to their original maturity of more than three months. As of June 30, 2017, the Library was not exposed to custodial credit risk.

**Custodial Credit Risk Investments** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Library's policy is to require Securities Investor Protection Corporation coverage to secure its investments. As of June 30, 2017, the Library's investments were not subject to custodial credit risk.

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**Note 3 - CASH AND INVESTMENTS** (continued)

Investment Interest Rate Risk - The Library's policy is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and to invest operating funds primarily in shorter-term securities. Maturities of investments held at June 30, 2017 are less than one year.

Investment Credit Risk - Investment credit risk is the risk of loss due to the failure of the security issuer. The Library's policy to minimize credit risk is to pre-qualify the financial institutions, brokers, dealers, intermediaries, and advisor with whom the Kirkwood Public Library will do business. In addition, the Library's policy recommends diversifying the portfolio so that potential losses on individual securities will be minimized. Investments in obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. As of June 30, 2016, \$1,126,386 of the investments were not rated.

Concentration of Investment Credit Risk - Concentration of credit risk is required to be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the US Government and certificates of deposit). The Library's policy is to diversify its investments to reduce the risk of loss and periodically review its diversification strategies. As of June 30, 2017 those concentrations are as follows:

First Eagle Global I	\$ 283,525
Doubeline Total Return I	134,210
Thornburn Limited-Trm Inc	111,430
Oppenheimer Developing Mkts	88,029
Alger Sepectra Z	71,622
Oakmark I	69,548
EV Rbern All Asset Strat I	68,037
Pimco All Assets	57,472
AQR Long-short Equity	57,311

**Note 4 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

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**Note 4 - FAIR VALUE MEASUREMENTS (continued)**

*Level 2* - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the fiscal year ended June 30, 2017.

Mutual Funds and EFTs: Valued at the net asset value (“NAV”) of shares held by the plan at year end.

Certificates of deposit: valued at cost, which approximates fair value.

Government and Agency Bonds: valued at cost, which approximates market value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurements at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Library’s assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and ETFs	\$ 1,123,386	\$ -	\$ -	\$ 1,123,386
Certificates of deposit	-	729,621	-	729,621
Government and Agency Bonds	-	5,824,733	-	5,824,733
Total at fair value	<u>\$ 1,123,386</u>	<u>\$ 6,554,354</u>	<u>\$ -</u>	<u>\$ 7,677,740</u>

**Note 5 - MUNICIPAL LIBRARY CONSORTIUM**

The Library is a member of the Municipal Library Consortium of St. Louis County, an association of independent municipal libraries. The purpose of the Consortium is to develop and maintain a shared automation system and to provide and maintain developing information technologies for the citizens of the member libraries’ communities. The members are the Brentwood, Ferguson, Kirkwood, Richmond Heights, Rock Hill, University City, Valley Park, Webster Groves and Maplewood Libraries.

The Consortium has full ownership of all system hardware, software, peripherals and other property relating to the central site automated system, which will be located at the University City Library. Each member will purchase or lease and maintain its own terminals, data transmission devices, barcodes, printers and other peripheral equipment.

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**Note 5 - MUNICIPAL LIBRARY CONSORTIUM (continued)**

Initially, each member will pay its proportionate share of the automated system's costs according to its percentage of ports in the total system, its percentage of bibliographic records and its percentage of all members prior year's circulation.

It is not intended that the Consortium will act for profit. Net position, if any, will be distributed to members in the event of termination. The consortium's fiscal year runs from July 1 to June 30.

**Note 6 - CAPITAL ASSETS**

The following is a summary of changes in capital assets - governmental activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Land	\$ 12,600	\$ -	\$ -	\$ 12,600
Art collection	105,050	-	65,000	40,050
Total capital assets not being depreciated	<u>117,650</u>	<u>-</u>	<u>65,000</u>	<u>52,650</u>
<i>Capital assets being depreciated:</i>				
Buildings and other improvements	5,109,684	377,864	-	5,487,548
Furniture and equipment	686,939	458,365	55,209	1,090,095
Library materials	2,421,664	333,479	391,897	2,363,246
Total capital assets being depreciated	<u>8,218,287</u>	<u>1,169,708</u>	<u>447,106</u>	<u>8,940,889</u>
<i>Less accumulated depreciation for:</i>				
Buildings and other improvements	468,619	90,093	-	558,712
Furniture and equipment	439,242	80,172	51,720	467,694
Equipment and other	1,122,361	273,762	391,897	1,004,226
Total accumulated depreciation	<u>2,030,222</u>	<u>444,027</u>	<u>443,617</u>	<u>2,030,632</u>
Total net capital assets being depreciated	<u>6,188,065</u>	<u>725,681</u>	<u>3,489</u>	<u>6,910,257</u>
Governmental activity capital assets, net	<u>\$ 6,305,715</u>	<u>\$ 725,681</u>	<u>\$ 68,489</u>	<u>\$ 6,962,907</u>

Depreciation expense of \$444,027 was charged to the function library services.

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**Note 7 - OPERATING LEASE**

The Library has entered into an operating lease for office equipment. Rental payments were approximately \$3,600 for the year ended June 30, 2017. Future minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2018	\$ 3,600
2019	1,200
	<u>\$ 4,800</u>

**Note 8 - RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library obtains commercial insurance to transfer these risks. Settled claims have not exceeded coverage in any of the past three fiscal years.

**Note 9 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term commitments:

	Balance		Balance	Due Within	
	July 1, 2016	Additions	Reductions	June 30, 2017	One Year
Accrued compensated absences *	\$ 29,646	\$ 3,706	\$ -	\$ 33,352	\$ 30,017
Certificate of Participation - 2009	5,660,000	-	(200,000)	5,460,000	215,000
Certificate of Participation - 2017	-	5,580,000	(295,000)	5,285,000	240,000
Premium discount	(7,878)	-	769	(7,109)	-
	<u>\$ 5,681,768</u>	<u>\$ 5,583,706</u>	<u>\$ (494,231)</u>	<u>\$ 10,771,243</u>	<u>\$ 485,017</u>

\* Due to limitations, gross amounts for additions and reductions are not readily available. Net changes are shown above.

Certificates of Participation 2009

In February 2009, Certificates of Participation Series 2009 (“COPS”) in the amount of \$6,885,000 were issued evidencing interest in the right to receive rental payments to be paid by the City of Kirkwood Municipal Library pursuant to an annually renewable Lease-Purchase Agreement (the “Agreement”) dated February 1, 2009, between UMB Bank, as lessor, and the Library, as lessee. The proceeds of the Certificates were used to repair, renovate, improve, furnish and equip the existing Kirkwood Public Library (the “Project”) and pay certain costs associated with temporary space for the Kirkwood Public Library during construction of the Project, to fund a debt service reserve fund for the Certificates and to pay the costs of delivery of the Certificates. In conjunction with this issuance, the Library entered into a lease agreement (“Base Lease”) to lease to the trustee the leased property and the trustee will sublease the leased property, including all improvements constructed or installed on the leased property, including the Project, back to the Library pursuant to the Agreement.



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**Note 9 - LONG-TERM LIABILITIES** (continued)

The Library may terminate its obligations under the Lease on an annual basis. The Library will have the option to purchase the Trustee’s interest in the Leased Property at the times and upon conditions described in the lease.

The Certificates bear interest at rates ranging from 3.00% to 5.00% and mature through 2033 as follows:

Year Ending June 30,	Principal	Interest	Total
2018	215,000	253,935	468,935
2019	220,000	246,946	466,946
2020	240,000	239,248	479,248
2021	250,000	229,647	479,647
2022	265,000	219,648	484,648
2023-2027	1,590,000	904,187	2,494,187
2028-2032	2,165,000	466,750	2,631,750
2033	515,000	25,750	540,750
	<u>\$ 5,460,000</u>	<u>\$ 2,586,111</u>	<u>\$ 8,046,111</u>

Certificates of Participation 2017

In February 2017, Certificates of Participation Series 2017 (“COPS”) in the amount of \$5,580,000 were issued evidencing interest in the right to receive rental payments to be paid by the City of Kirkwood Municipal Library pursuant to an annually renewable Lease-Purchase Agreement dated February 1, 2009 (the “Original Lease”), as amended and supplemented by the First Supplemental Lease Purchase Agreement dated February 1, 2017 (the “First Supplemental Lease”), between UMB Bank, as lessor, and the Library, as lessee. Proceeds from the sale of the Series 2017 Certificates will be used to advance refund all the outstanding Series 2009 Certificates maturing in the years 2017 and thereafter and pay the costs of delivering the Series 2017 Certificates.

Pursuant to a Base Lease dated as of February 1, 2009 (the “Base Lease”), the District is leasing to the Trustee the land on which the Kirkwood Public Library (the “Library”) is located (the “Leased Property”). Under the Lease, the Trustee leases its interest in the Leased Property to the District for a series of one-year terms, with a final renewal term commencing July 1, 2032 and ending April 16, 2033. Each Renewal Term is subject to annual appropriation by the Board of Trustees of the District. The Library may terminate its obligations under the Lease on an annual basis. The Library will have the option to purchase the Trustee’s interest in the Leased Property at the times and upon conditions described in the lease

The net proceeds of \$5,737,307, which was combined with \$541,772 of District funds to provide \$124,379 to pay the costs of issuance and \$6,154,700 to purchase U.S. government securities. Those securities were deposited in an irrevocable trust to provide interest and principal payment on the Series 2009 Certificates.