

**BOONE COUNTY
PUBLIC LIBRARY DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Boone County Public Library District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 each major fund of the Boone County Public Library District, as of June 30, 2018, 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.

Emphasis of a Matter – Implementation of New GASB Accounting Standard

As discussed in Note H to the financial statements, effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). Our opinions are 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 3–7 and the budgetary comparison information and the pension and OPEB disclosures on pages 30-32 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 January 9, 2019, on our consideration of the Boone County Public Library District'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 Boone County Public Library District's internal control over financial reporting and compliance.



Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky

January 9, 2019

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018**

As management of the Boone County Public Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is a required element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34. It provides management with the opportunity to present an overview of the financial activities of the District based on currently known facts, decisions or conditions. The District's basic financial statements are comprised of the components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required 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 District's finances, in a manner similar to the private business sector.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and 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 District's net position changed during the most recent fiscal 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 district-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements – The fund financial statements focus on governmental activities and tell how these services were financed in the short term as well as what remains for future spending. This statement also reports the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds – General and Capital Projects.

The District's services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to residents. The basic governmental fund financial statements can be found on pages 10 through 13 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-29 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

The combined net position of the District increased between FY 2017 and 2018, for a net operating loss of \$342,404. The majority of the District's net position is invested in capital assets or investments. The unrestricted net position amount of \$19,358,463 represents the amount the District can use to fund programs and operations in the future.

Net Position

The following is a summary of net position for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Assets		
Current assets	\$ 26,562,128	\$ 28,000,578
Noncurrent assets	28,477,625	26,681,340
Total Assets	55,039,753	54,681,918
Deferred outflows of resources	2,742,024	1,217,372
Total Assets and Deferred Outflows	57,781,777	55,899,290
Liabilities		
Current liabilities	399,670	590,547
Long term liabilities	8,887,968	5,506,807
Total Liabilities	9,287,638	6,097,354
Deferred inflows of resources	801,784	129,348
Total Liabilities and Deferred Inflows	10,089,422	6,226,702
Net Position		
Net investment in capital assets	28,333,892	26,571,996
Unrestricted	19,358,463	23,100,592
Total Net Position	\$ 47,692,355	\$ 49,672,588

The vast majority (97.6%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The District carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with attention to opportunities in increase yield. The District realized \$233,297 in investment revenue during fiscal year 2018.

The remaining amount of revenue received was in the form of program revenues, which equaled \$205,051 or 2.4% of total revenues.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2018 and 2017.

Statement of Activities

Revenues		
Program Revenues:	2018	2017
Charges for services	\$ 63,288	\$ 86,366
Operating grants and contributions	101,005	94,000
Capital grants and contributions	40,758	40,757
Total Program Revenues	<u>205,051</u>	<u>221,123</u>
General Revenues		
Property taxes	7,693,666	7,212,643
Other taxes	508,159	555,901
Investment earnings	233,297	242,464
Miscellaneous	72,150	53,717
Total General Revenues	<u>8,507,272</u>	<u>8,064,725</u>
Total Revenues	<u>8,712,323</u>	<u>8,285,848</u>
Program Expenses		
Personnel	5,898,293	5,192,735
Materials	479,259	378,522
Facility	208,050	226,092
Support services	160,138	155,708
Maintenance	316,749	370,964
Program	256,762	275,364
Automation	222,318	91,472
Other	184,373	117,358
Depreciation	1,328,785	1,360,517
Total Expenses	<u>9,054,727</u>	<u>8,168,732</u>
Change in Net Position	<u>\$ (342,404)</u>	<u>\$ 117,116</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. Several revenue sources fund governmental activities with property tax being the largest contributor. All governmental funds had total revenue of \$8,712,323 and expenditures of \$9,925,507. The most active fund is the General Fund with an unassigned fund balance at year-end of \$6,267,758.

CAPITAL ASSETS AND DEBT

Capital Assets – Net investment in capital assets for the District as of June 30, 2018 were \$28,333,892. This represents an increase of \$1,761,896 from the previous year.

	<u>2018</u>	<u>2017</u>
Land	\$ 9,159,978	\$ 9,159,978
Construction in progress	2,946,682	870,423
Buildings and Improvements	19,757,849	19,440,414
Land improvements	846,312	754,462
Furniture, fixtures and equipment	2,618,578	2,611,078
Computer automation	756,851	809,954
Collection - books, AV media	4,405,016	4,720,649
Vehicles	288,465	253,115
Accumulated Depreciation	<u>(12,445,839)</u>	<u>(12,048,077)</u>
Capital Assets, Net	<u>\$ 28,333,892</u>	<u>\$ 26,571,996</u>

Debt - At June 30, 2018 the District had no long-term debt and \$399,670 in current liabilities, consisting of accounts payable, accrued payroll, vacations and withholding.

As of June 30, 2018, the District is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension and OPEB liability, \$8,887,968, the deferred outflow of resources, \$2,742,024, and the deferred inflow of resources, \$801,784 on the Statement of Net Position at June 30, 2018 are a function of this required reporting. The 2017 Statement of Net Position has been restated by (\$1,637,829) to include the beginning balance of the net OPEB liability at June 30, 2017. Detailed information on this pension and OPEB recognition can be found in Note H in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Library continues to provide services to the public by constantly evaluating and re-evaluating internal processes and procedures. We have continued to expand our offerings to the community and strengthened our partnerships with Boone County Schools, Walton Verona Schools, Boone County Parks, Boone County Early Childhood Council, and Boone County Success by 6.

BCPL continued to work with a consulting engineering firm to tighten the building envelope at all locations and to make sure that all HVAC systems are operating at peak efficiencies. We are seeing savings in our utility costs.

Several capital projects took place at the Florence Branch. A new HVAC system was installed, all new carpeting was installed, and the parking lots were resurfaced.

We continue to grow the Outreach Department. During FY 2018 we purchased a new Bookmobile to replace our aging Bookmobile. The new Community Center on Wheels should be delivered early in FY 2019. In addition, during FY 2018, we purchased an Adult Outreach Vehicle. The AOV will be used for nursing home, senior center, and business lobby stops. This new vehicle will begin stops early in FY 2019.

The Local History Department worked on two grants during FY 2018. The NEH Collection Assessment Grant had a consultant develop long and short-term recommendations for the direction of BCPL's archival, physical collection. This will be the basis for future grant requests and the Local History Department's strategic plan goals. The National Parks Service Network to Freedom Grant will cover FY 2018 and FY 2019. This grant assesses BCPL's African American Research Collection and created curriculum content for K-12 teachers to use in the classroom. It will include a five-day lesson plan with associated lectures, discussion questions, activities, and reading lists for an Underground Railroad in Boone County Teacher Workshop to be debuted in FY 2019.

The Library hosted the Science in Play2Go Exhibit. This was loaned to the Library for free from the Kentucky Science Center in Louisville. Over the three months it was installed at the Scheben Branch, 10,770 people visited the exhibit. In addition, we hosted 770 children at field trips.

The Public Relations Department added a videographer to the staff and began offering videos highlighting services, staff, customers, and collections. This department continues to work on original content creation through blogs and videos. In addition, through their work, BCPL's Facebook page now has more followers than any other public library in Kentucky. They continue to see a high level of engagement on all social media platforms BCPL uses. During FY 2018, BCPL entered into a partnership with the County and the Boone County School District to offer one unified online newsletter. Having one newsletter for these three entities has significantly increased our marketing reach in the community.

Work began on the Hebron location construction project. This new location replaces the Lents Branch that closed in September 2015. (The Lents Branch property is currently for sale with a sale pending contingent upon a zoning change). Ground was broken in FY2018. Current targeted date to open is Spring 2019.

State aid and fines and fees received as revenue continue to drop while tax income rose slightly. Vending income increased in fiscal year 2018 due to negotiating contracts with a copier/printer third party vendor, the café operator, and the food vending machine third party vendor to share profits with BCPL. Insurance, benefit, and retirement rates are hard to predict, as pricing seems to continually fluctuate. This is an ongoing concern as budgets are prepared and monitored. We continue to seek alternative revenue streams to ensure the financial sustainability of the Library.

REQUESTS FOR INFORMATION

Questions regarding this report should be directed to Carrie Herrmann, Boone County Public Library, 1786 Burlington Pike, Burlington, KY 41005, telephone (859) 292-3387, or email director@bcpl.org.

BOONE COUNTY PUBLIC LIBRARY DISTRICT STATEMENT OF NET POSITION June 30, 2018

Assets	Governmental Activities
Current:	
Cash and cash equivalents	\$ 10,522,316
Accounts receivable - taxes	122,195
Accounts receivable - other	36,125
Interest receivable	108,128
Investments	15,773,364
Total current assets	<u>26,562,128</u>
Noncurrent:	
Capital assets:	
Nondepreciated capital assets:	
Land and construction in progress	12,106,660
Depreciated capital assets:	28,673,071
Less accumulated depreciation	<u>(12,445,839)</u>
Net capital assets	28,333,892
Other non-current assets	<u>143,733</u>
Total noncurrent assets	<u>28,477,625</u>
Total assets	55,039,753
Deferred outflows of resources	
Deferred outflows related to pensions and OPEB - CERS	<u>2,742,024</u>
Total assets and deferred outflows of resources	<u>57,781,777</u>
Liabilities	
Current:	
Accounts payable	79,311
Accrued wages and vacations payable	316,741
Accrued payroll withholdings	<u>3,618</u>
Total current liabilities	399,670
Long term liabilities	
Net pension and OPEB liability - CERS	<u>8,887,968</u>
Total liabilities	9,287,638
Deferred inflows of resources	
Deferred inflows related to pensions and OPEB - CERS	<u>801,784</u>
Total liabilities and deferred inflow of resources	<u>10,089,422</u>
Net position	
Net investment in capital assets	28,333,892
Unrestricted	<u>19,358,463</u>
Total net position	<u>\$ 47,692,355</u>

The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental activities					
Personnel	\$ 5,898,293	\$ -	\$ -	\$ -	\$ (5,898,293)
Materials	479,259	-	-	-	(479,259)
Facility	208,050	-	-	-	(208,050)
Support services	160,138	-	-	-	(160,138)
Maintenance	316,749	-	-	-	(316,749)
Program	256,762	-	-	-	(256,762)
Automation	222,318	-	-	-	(222,318)
Other	184,373	-	-	-	(184,373)
Depreciation	1,328,785	-	-	-	(1,328,785)
Revenue	-	63,288	101,005	40,758	205,051
Total governmental activities	\$ 9,054,727	\$ 63,288	\$ 101,005	\$ 40,758	(8,849,676)
		General revenues			
					7,693,666
					508,159
					233,297
					72,150
					8,507,272
					(342,404)
					49,672,588
					(1,637,829)
					\$ 47,692,355

The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2018
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Assets	General Fund	Capital Projects Fund	Total Governmental Funds
Current:			
Cash and cash equivalents	\$ 4,068,725	\$ 6,453,591	\$ 10,522,316
Accounts receivable - taxes	122,195	-	122,195
Accounts receivable - other	36,125	-	36,125
Due from capital projects fund	2,440,383	-	2,440,383
Interest receivable	-	108,128	108,128
Investments	-	15,773,364	15,773,364
Total current assets	<u>6,667,428</u>	<u>22,335,083</u>	<u>29,002,511</u>
Non current assets			
Prepaid rent	97,691	-	97,691
Other prepaid expenses	42,477	-	42,477
Deposits	3,565	-	3,565
Total non current assets	<u>143,733</u>	<u>-</u>	<u>143,733</u>
Total assets	<u><u>\$ 6,811,161</u></u>	<u><u>\$ 22,335,083</u></u>	<u><u>\$ 29,146,244</u></u>
Liabilities and fund balances			
Liabilities			
Current:			
Accounts payable	\$ 79,311	\$ -	\$ 79,311
Due to general fund	-	2,440,383	2,440,383
Accrued wages and vacations payable	316,741	-	316,741
Accrued payroll withholdings	3,618	-	3,618
Total current liabilities	<u>399,670</u>	<u>2,440,383</u>	<u>2,840,053</u>
Fund balances			
Non-spendable	143,733	-	143,733
Committed			
Capital projects fund	-	19,894,700	19,894,700
Unassigned			
General fund	<u>6,267,758</u>	<u>-</u>	<u>6,267,758</u>
Total fund balances	<u>6,411,491</u>	<u>19,894,700</u>	<u>26,306,191</u>
Total liabilities and fund balances	<u><u>\$ 6,811,161</u></u>	<u><u>\$ 22,335,083</u></u>	<u><u>\$ 29,146,244</u></u>

The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2018

Total fund balances for governmental funds	\$ 26,306,191
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$40,779,731 less accumulated depreciation of (\$12,445,839), used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	28,333,892
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Net pension liability - CERS	(6,615,759)
Net OPEB liability - CERS	(2,272,209)

Deferred outflows and inflows of resources related to pensions and post employment health insurance are applicable to future periods and, therefore are not reportable in the funds:

Deferred outflow of resources - pensions - CERS	2,136,238
Deferred outflow of resources - OPEB - CERS	605,786
Deferred inflow of resources - pensions - CERS	(682,818)
Deferred inflow of resources - OPEB - CERS	(118,966)

Net position of governmental activities	<u>\$ 47,692,355</u>
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The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 7,693,666	\$ -	\$ 7,693,666
Motor vehicle	389,171	-	389,171
Telecommunications	99,163	-	99,163
Watercraft	19,825	-	19,825
Fines and fees	63,288	-	63,288
Grants	28,250	-	28,250
Gifts	4,510	-	4,510
Reimbursement	68,245	-	68,245
State aid	40,758	-	40,758
Earnings on investments and deposits	30,443	202,854	233,297
Other local sources	72,150	-	72,150
Total revenues	<u>8,509,469</u>	<u>202,854</u>	<u>8,712,323</u>
Expenditures			
Personnel	5,007,176	-	5,007,176
Materials	1,014,784	-	1,014,784
Facility	174,049	-	174,049
Support services	160,138	-	160,138
Maintenance	316,749	-	316,749
Program	256,762	-	256,762
Automation	249,080	-	249,080
Other	184,373	-	184,373
Capital outlay	-	2,562,396	2,562,396
Total expenditures	<u>7,363,111</u>	<u>2,562,396</u>	<u>9,925,507</u>
Net change in fund balance	1,146,358	(2,359,542)	(1,213,184)
Fund balances, beginning of year	<u>5,265,133</u>	<u>22,254,242</u>	<u>27,519,375</u>
Fund balances, end of year	<u>\$ 6,411,491</u>	<u>\$ 19,894,700</u>	<u>\$ 26,306,191</u>

The accompanying notes are an integral part of these financial statements.

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018</p>

Net change in fund balances per fund financial statements \$ (1,213,184)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,328,785)
Capital outlays	3,090,681

Governmental funds report pension and post employment health insurance contributions as expenditures. However, in the statement of activities, the cost of pension and post employment health insurance benefits earned, net of employer contributions, is reported as an expense:

Cost of benefits earned - pension - CERS	(743,557)
Cost of benefits earned - OPEB - CERS	<u>(147,559)</u>

Change in net position of governmental activities \$ (342,404)

The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Boone County Public Library District (the District) operates under legislative authority and provides services as authorized. The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Boone County Public Library District. The following is a summary of the certain accounting policies followed in the preparation of these financial statements.

District-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District that are governmental and those that are considered capital asset activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the general purpose 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 district-wide statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District'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 District, 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 District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

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 liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the change in total fund balance.

Government Fund Types

The District has the following funds:

General Fund

This fund is the primary operating fund of the District. 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 District.

Capital Project Funds

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2018</p>
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These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is 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 District, available means expected to be received within sixty (60) days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of the 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.

Taxes

Property Tax Revenues – Property taxes are levied each October 1 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. All taxes collected are deposited into the General Fund. The due dates and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment date	October 31 to December 31
3. Delinquent date, 5% penalty, 12% interest	January 1 to January 31
4. Delinquent date, 21% penalty, 12% interest	After January 31

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

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2018</p>
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Budgetary Process

The District follows the procedures established pursuant to Section 164.655 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgeted amounts in the financial statements are as adopted by the Board of Trustees.

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP) of the United States of America. 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 District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents.

Investments

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Capital Assets

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 District's capitalization thresholds are shown below, improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an 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:

Description	Capitalization Threshold	Governmental Activities Estimated Lives (Years)
Buildings and improvements	\$ 25,000	25-50
Land improvements	12,500	25
Computer automation	1,000	5
Vehicles	2,500	5
Audio/visuals	1	3
Microfilms	1	7
Furniture and fixtures	2,500	15
Books	1	7
Land	1	-

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Accounts Payable and Accrued Liabilities

All payables and accrued liabilities are reported in the district-wide 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 of year-end are considered to have been made with current available financial resources.

Net Position and Fund Equity

Net position in the District Wide Statement of Net Position represents the difference between assets and liabilities. Net investment in capital assets, 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 positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Beginning with the fiscal year ended June 30, 2010, the District adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent.

In the fund financial statements, governmental fund balances can be presented in five possible categories:

Non-spendable

These are resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted

These are resources with constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed

These are resources which are subject to limitations the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned

These are resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned

These are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2018</p>
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expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in 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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – INVESTMENTS

Board policy stipulates that all investments be in conformance with federal, state and other legal requirements, including KRS 66.480 – Investment of Public Funds.

All investments made by the Board of Trustees are held in certificates of deposit. At June 30, 2018, the Board held certificates of deposit valued at \$15,773,365.

NOTE D – PREPAID RENT

During 2007, the District opened a branch library that was constructed by the Boone County Fiscal Court. Under agreement, the District paid a portion of the construction costs and will maintain the branch for a time period of no less than five years. The District has the option to extend the agreement subject to mutual concurrence. If the agreement is not extended for a minimum period of twenty-five years, the District will be reimbursed a portion of the initial construction contribution in an amount proportionate to the unused term, based on an expense calculation for a twenty-five year period, but not commencing until occupancy of the branch. The amount of the initial construction contribution was \$183,173. Prepaid rent at June 30, 2018 was \$97,691.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2018:

Asset type	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Land	\$ 9,159,978	\$ -	\$ -	\$ 9,159,978
Construction in progress	870,423	2,076,259	-	2,946,682
Buildings and improvements	19,440,414	317,435	-	19,757,849
Land improvements	754,462	91,850	-	846,312
Furniture, fixtures and equipment	2,611,078	7,500	-	2,618,578
Computer automation	809,954	26,762	(79,865)	756,851
Collection - books, AV media	4,720,649	535,525	(851,158)	4,405,016
Vehicles	253,115	35,350	-	288,465
Subtotal	38,620,073	3,090,681	(931,023)	40,779,731
Less: accumulated depreciation	(12,048,077)	(1,328,785)	931,023	(12,445,839)
Capital assets, net	\$ 26,571,996	\$ 1,761,896	\$ -	\$ 28,333,892

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Depreciation expense of \$1,328,785 was not allocated to individual functions and is accounted for as a separate program expense item on the statement of activities.

NOTE F – OPERATING LEASE

The District leases sixteen copiers under an operating lease expiring in July, 2021. The lease includes a concurrent service agreement that is non-refundable. Future annual minimum lease payments at June 30, 2018 are:

Fiscal Year Ending June 30,	Minimum Payment
2019	\$ 45,264
2020	45,264
2021	45,264

NOTE G – RENTAL INCOME

The District has lease income for 500 square feet of land for a cell phone tower. The term is 5 years with an automatic renewal of 4 terms of 5 years each if not cancelled prior to expiration of each term by lessee. Lease income for the year ended June 30, 2018 was \$14,548.

NOTE H – EMPLOYEES’ RETIREMENT SYSTEMS

The District’s eligible employees are covered either by the County Employees Retirement System (CERS) or the Kentucky Employees Retirement System (KERS). Each system is discussed in detail below:

COUNTY EMPLOYEES RETIREMENT SYSTEM – (CERS)

Plan description - Employees are covered by CERS, a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The District has only non-hazardous duty employees.

CERS PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation rate	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate or pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required pension plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

For non-hazardous duty employees, the District contributed 19.18%, of which 14.48% was for the pension fund and 4.70% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2018.

The District made all required contributions for the non-hazardous Plan pension obligation for the fiscal year in the amount of \$454,475 of which \$343,107 was for the pension fund and \$111,368 was for the health insurance fund.

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

At June 30, 2018, the District reported a liability of \$6,615,759 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The

BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's non-hazardous employer allocation proportion was 0.11303% of the total CERS non-hazardous duty. For the year ended June 30, 2018, the District recognized pension expense of \$743,557 in addition to its \$343,107 pension contribution.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 8,206	\$ (167,936)
Net difference between projected actual earnings on plan investments	523,960	(442,131)
Changes of assumptions	1,220,787	-
Changes in proportion and differences between contributions and proportionate share of contributions	40,178	(72,751)
Contributions subsequent to the measurement date	343,107	-
	<u>\$ 2,136,238</u>	<u>\$ (682,818)</u>

The District's contributions subsequent to the measurement date of \$343,107 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 468,985
2020	496,307
2021	229,970
2022	(84,950)
	<u>\$ 1,110,312</u>

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2017
Experience study	July 1, 2008 – June 30, 2013
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
Payroll growth	2.00%
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Changes of Assumptions

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Hazardous & Non-Hazardous Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	6.91%
Combined fixed income	28%	6.18%
Real return (diversified inflation strategies)	10%	6.13%
Real estate	5%	7.63%
Absolute return (diversified hedge funds)	10%	5.63%
Private equity	10%	8.25%
Cash	2%	1.88%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non-hazardous	<u>\$ 8,343,902</u>	<u>\$ 6,615,759</u>	<u>\$ 5,170,181</u>

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

CERS HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2016, the contribution was \$12.99 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities for the year ended June 30, 2018, was 4.70% of covered-employee payroll for non-hazardous duty employees, actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$111,368 for non-hazardous duty employees for the year ended June 30, 2018.

BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$ 2,272,209 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2017, the District's proportion of the non-hazardous plan was 0.11303%.

For the year ended June 30, 2018, the District recognized an OPEB expense of \$147,559. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ -	\$ (6,311)
Net difference between projected actual earnings on plan investments	-	(107,383)
Changes of assumptions	494,418	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(5,272)
Contributions subsequent to the measurement date	111,368	-
	\$ 605,786	\$ (118,966)

The District's contributions subsequent to the measurement date, \$111,368 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Fiscal Year Ending June 30,	Net Deferral
2019	\$ 64,600
2020	64,600
2021	64,600
2022	64,600
2023	91,446
Thereafter	25,606
	<u>\$ 375,452</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method:	Level, percent of pay
Amortization period:	28 years, closed
Payroll growth rate:	2.00%
Investment return:	6.25%
Inflation	2.30%
Salary increases:	3.05%, average
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65):	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study calculated as of June 30, 2015.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	35%	6.91%
Combined fixed income	28%	6.18%
Real return (diversified inflation strategies)	10%	6.13%
Real estate	5%	7.63%
Absolute return (diversified hedge funds)	10%	5.63%
Private equity	10%	8.25%
Cash	2%	1.88%
Total	100%	

Changes of Assumptions

In 2017, the demographic and economic assumptions that affect the measurement of the total pension liability were updated as follows:

- The assumed investment return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of salary increase was reduced from 4.00% to 3.05%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

Discount Rate

The discount rate used to measure the total OPEB liability was 5.84% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.84% for the non-hazardous plan, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.84%	5.84%	6.84%
Net OPEB liability, non-hazardous	\$ 2,891,260	\$ 2,272,209	\$ 1,757,061

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Healthcare cost trend rate	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Net OPEB liability, non-hazardous	\$ 1,742,901	\$ 2,272,209	\$ 2,960,278

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601

NOTE I – CONCENTRATION OF CREDIT RISK

At year-end, the District had on deposit in several financial institutions \$26,294,979. Of the total cash balance, \$289,157 was covered by Federal Depository Insurance Corporation (FDIC). In addition, three financial institutions have collateralized \$10,886,781 of the District's certificates of deposit through investments in the Certificate of Deposit Account Registry Service (CDARS). Through this process this \$10,886,781 was covered in full by the FDIC. The remaining balance of \$15,119,041 was collateralized with securities held by the respective financial institutions and pledged to collateralize the District's deposits in excess of the FDIC limit of \$250,000 per depositor.

Deposits at June 30, 2018 consisted of the following:

	Bank Balance	Book Balance
Total on deposit	\$ 26,294,979	\$ 26,294,979
Cash on hand	-	700
Total all cash and certificates of deposit	\$ 26,294,979	\$ 26,295,679

NOTE J – CONTINGENCIES

The District is not currently a defendant in any lawsuits.

NOTE K – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 81 – *Irrevocable Split-Interest Agreements* – This statement is not currently applicable to the District.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Statement No. 85 – *Omnibus 2017*

Statement No. 86 – *Certain Debt Extinguishment Issues*

NOTE L – FUTURE ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations* – Implementation in FY 2019

Statement No. 84 – *Fiduciary Activities* – Implementation in FY 2020

Statement No. 87 – *Leases* – Implementation in FY 2021

Statement No. 88 – *Certain Disclosures Related to Debt* – Implementation in FY 2019

Statement No. 89 – *Accounting for Interest Cost* – Implementation in FY 2021

NOTE M – PRIOR PERIOD ADJUSTMENT

The District has recorded an adjustment to the Beginning Net Position of (\$1,637,829) at June 30, 2017. This adjustment accounts for the estimated net OPEB liability at June 30, 2017, and is being recorded in accordance with Government Accounting Standards Board Statement No. 75.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated events through January 9, 2019, which represents the date the financial statements were available to be issued. The District's management did not have any events subsequent from June 30, 2018 through January 9, 2019 to disclose.

BOONE COUNTY PUBLIC LIBRARY DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF BUDGET AND ACTUAL OF GENERAL FUND For the Year Ended June 30, 2018
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	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues					
From local sources:					
Taxes:					
Property	\$ 7,000,000	\$ -	\$ 7,000,000	\$ 7,693,666	\$ 693,666
Motor vehicle	300,000	-	300,000	389,171	89,171
Telecommunications	101,000	-	101,000	99,163	(1,837)
Watercraft	35,000	-	35,000	19,825	(15,175)
Fines and fees	64,000	-	64,000	63,288	(712)
Grants	11,500	33,000	44,500	28,250	(16,250)
Gifts	-	5,000	5,000	4,510	(490)
Reimbursement	70,380	(25,000)	45,380	68,245	22,865
State aid	40,757	-	40,757	40,758	1
Investment earnings	170,000	-	170,000	30,443	(139,557)
Other local sources	65,547	-	65,547	72,150	6,603
Total revenues	<u>7,858,184</u>	<u>13,000</u>	<u>7,871,184</u>	<u>8,509,469</u>	<u>638,285</u>
Expenditures					
Personnel	5,551,789	(28,017)	5,523,772	5,007,176	516,596
Materials	942,274	-	942,274	1,014,784	(72,510)
Facility	12,299,488	(5,444,750)	6,854,738	174,049	6,680,689
Support services	154,123	3,978	158,101	160,138	(2,037)
Maintenance	355,480	26,428	381,908	316,749	65,159
Program	281,135	(23,850)	257,285	256,762	523
Automation	245,890	36,608	282,498	249,080	33,418
Other	128,238	29,588	157,826	184,373	(26,547)
Total expenditures	<u>19,958,417</u>	<u>(5,400,015)</u>	<u>14,558,402</u>	<u>7,363,111</u>	<u>7,195,291</u>
Excess of revenues over (under) expenditures	(12,100,233)	5,413,015	(6,687,218)	1,146,358	7,833,576
Fund balance, beginning of year	<u>1,439,739</u>	<u>(914,753)</u>	<u>524,986</u>	<u>5,265,133</u>	<u>4,740,147</u>
Fund balance, end of year	<u><u>\$ (10,660,494)</u></u>	<u><u>\$ 4,498,262</u></u>	<u><u>\$ (6,162,232)</u></u>	<u><u>\$ 6,411,491</u></u>	<u><u>\$ 12,573,723</u></u>

BOONE COUNTY PUBLIC LIBRARY DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability	0.11303%	0.111840%	0.116230%	0.116993%						
Proportionate share of the net pension liability (asset)	\$ 6,615,759	\$ 5,506,807	\$ 4,997,345	\$ 3,795,680						
Covered employee payroll in year of measurement	2,773,117	2,667,983	2,711,795	2,683,337						
Share of the net pension liability (asset) as a percentage of its covered employee payroll	238.57%	206.40%	184.28%	141.45%						
Plan fiduciary net position as a percentage of total pension liability	53.30%	55.50%	59.97%	66.80%						

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 343,107	\$ 383,914	\$ 331,698	\$ 345,754	\$ 368,910					
Actual contribution	343,107	383,914	331,698	345,754	368,910					
Contribution deficiency (excess)	-	-	-	-	-					
Covered employee payroll	2,369,523	2,773,117	2,667,983	2,711,795	2,683,337					
Contributions as a percentage of covered employee payroll	14.48%	13.84%	12.43%	12.75%	13.75%					

Notes to Required Supplementary Information
For the Year Ended June 30, 2018
Changes of Assumptions

The net pension liability as of June 30, 2018, is based on the June 30, 2017, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS Last Ten Fiscal Years

**Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net OPEB liability	0.113030%									
Proportionate share of the net OPEB liability (asset)	\$ 2,272,209									
Covered employee payroll in year of measurement	2,773,117									
Share of the net OPEB liability (asset) as a percentage of its covered employee payroll	81.94%									
Plan fiduciary net position as a percentage of total OPEB liability	52.40%									

**Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 111,368	\$ 144,422								
Actual contribution	111,368	144,422								
Contribution deficiency (excess)	-	-								
Covered employee payroll	2,369,523	2,773,117								
Contributions as a percentage of covered employee payroll	4.70%	5.21%								

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018
Changes of Assumptions**

The net OPEB liability as of June 30, 2018, is based on the June 30, 2017, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.



Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

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

**To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005**

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 and each major fund of the Boone County Public Library District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Boone County Public Library District's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boone County Public Library District'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 Boone County Public Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boone County Public Library District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify 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 Boone County Public Library District's financial statements are free from 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.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
January 9, 2019