

**BOONE COUNTY
PUBLIC LIBRARY DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017**

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For the Year Ended June 30, 2017**

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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, 2017, 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, 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 on pages 3–7 and the budgetary comparison information and the pension disclosures on pages 25–26 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 November 16, 2017, 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.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
November 16, 2017

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

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, 2017. 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 14-24 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

The combined net position of the District increased between FY 2016 and 2017, for a net operating gain of \$117,116. The majority of the District's net position is invested in capital assets or investments. The unrestricted net position amount of \$23,100,592 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 28,000,578	\$ 27,467,205
Noncurrent assets	26,681,340	26,528,977
Total Assets	54,681,918	53,996,182
Deferred outflows of resources	1,217,372	921,953
Total Assets and Deferred Outflows	<u>55,899,290</u>	<u>54,918,135</u>
Liabilities		
Current liabilities	590,547	345,655
Long term liabilities	5,506,807	4,997,345
Total Liabilities	6,097,354	5,343,000
Deferred inflows of resources	129,348	19,663
Total Liabilities and Deferred Inflows	<u>6,226,702</u>	<u>5,362,663</u>
Net Position		
Net investment in capital assets	26,571,996	26,401,955
Unrestricted	23,100,592	23,153,517
Total Net Position	<u>\$ 49,672,588</u>	<u>\$ 49,555,472</u>

The vast majority (97%) 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 \$242,464 in investment revenue during fiscal year 2017.

The remaining amount of revenue received was in the form of program revenues, which equaled \$221,123 or 3.0% of total revenues.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2017 and 2016.

Statement of Activities

Revenues		
	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for services	\$ 86,366	\$ 85,557
Operating grants and contributions	94,000	115,387
Capital grants and contributions	<u>40,757</u>	<u>44,788</u>
Total Program Revenues	<u>221,123</u>	<u>245,732</u>
General Revenues		
Property taxes	7,212,643	6,865,601
Other taxes	555,901	485,450
Investment earnings	242,464	170,062
Miscellaneous	<u>53,717</u>	<u>27,851</u>
Total General Revenues	<u>8,064,725</u>	<u>7,548,964</u>
Total Revenues	<u>8,285,848</u>	<u>7,794,696</u>
Program Expenses		
Personnel	5,192,735	4,914,708
Materials	378,522	395,554
Facility	226,092	346,622
Support services	155,708	162,955
Maintenance	370,964	391,521
Program	275,364	337,807
Automation	91,472	47,614
Other	117,358	115,165
Depreciation	<u>1,360,517</u>	<u>1,373,897</u>
Total Expenses	<u>8,168,732</u>	<u>8,085,843</u>
Change in Net Position	<u>\$ 117,116</u>	<u>\$ (291,147)</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 \$8,285,848 and expenditures of \$8,015,045. The most active fund is the General Fund with an unassigned fund balance at year-end of \$5,155,789.

CAPITAL ASSETS AND DEBT

Capital Assets – Net investment in capital assets for the District as of June 30, 2017 were \$26,571,996. This represents an increase of \$170,041 from the previous year.

	<u>2017</u>	<u>2016</u>
Land	\$ 9,159,978	\$ 9,159,978
Construction in progress	870,423	-
Buildings and Improvements	19,440,414	19,416,349
Land improvements	754,462	754,462
Furniture, fixtures and equipment	2,611,078	2,571,601
Computer automation	809,954	775,328
Collection - books, AV media	4,720,649	4,738,137
Vehicles	253,115	253,115
Accumulated Depreciation	<u>(12,048,077)</u>	<u>(11,267,015)</u>
Capital Assets, Net	<u>\$ 26,571,996</u>	<u>\$ 26,401,955</u>

Debt - At June 30, 2017, the District had no long-term debt and \$590,547 in current liabilities, consisting of accounts payable, accrued payroll, vacations and withholding.

As of June 30, 2017, the District is required, by Governmental Accounting Standards Board Statement No. 68, 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 liability, \$5,506,807, the deferred outflow of resources, \$1,217,372, and the deferred inflow of resources, \$129,348 on the Statement of Net Position at June 30, 2017 are a function of this required reporting. Detailed information on this pension 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.

State aid and fines and fees received as revenue continue to drop while tax income rose slightly. Vending income increased in fiscal year 2017 due to negotiating a contract with a copier/printer third party vendor that shared profits with BCPL. During fiscal year 2017, BCPL received three grants to help grow services we offer to the community. We continue to seek alternative revenue streams to ensure the financial sustainability of the Library.

One emphasis in our strategic plan is providing spaces, collections and services to early childhood (parents, child and caregivers). In order to meet this goal, we began a project at the Scheben Branch to design and install an interactive early childhood area. This project will continue into fiscal year 2018.

BCPL planned several capital projects at the Florence Branch—new carpet, new HVAC system, and a parking lot asphalt overlay. While work started at the end of fiscal year 2017, it will continue into fiscal year 2018.

The Main Library completed a capital project to rearrange the first floor in order to add additional quiet, public seating areas and to combine the two desks into one desk. Combining the two desks provides a

more efficient workflow for the Main Library. This project began at the end of fiscal year 2016 and carried over into fiscal year 2017.

In March 2017, the cupola at the Walton Branch was damaged by a storm. While most of the repairs were covered by insurance, BCPL did have to pay the deductible.

A lighting project at all locations took place in fiscal year 2017. Internal and external lights were replaced with LED lights. In addition, 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 expect to see a large savings in our utility costs beginning in fiscal year 2018.

The Community Center on Wheels, our Youth Services Outreach Vehicle, is aging and will need to be replaced in fiscal year 2018. Work began on this project at the end of fiscal year 2017.

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.) During fiscal year 2017, BCPL completed the land survey, the geotechnical exploration and the schematic and design phase of the project. The project will go out to bid in fiscal year 2018 with projected competition in fiscal year 2019. We continue to refine projected construction and operational costs for this location.

BCPL completed work on an ILS migration project. We moved from Polaris to SirsiDynix in December 2016.

Local History continued their popular Heritage Tourism Underground Railroad Bus Tours. This has led to BCPL's work being recognized by the National Parks Service. The tour has been placed on the Parks Network to Freedom Trail and BCPL has been recognized as a regional research facility on this topic. Both designations open access to Federal grants to continue our work.

During FY2016, BCPL hosted four traveling exhibits. We programmed around the exhibits during the time they were installed at BCPL. The exhibits increased program numbers and visits to the Library. As a result of our experience with these exhibits, we scheduled another exhibit for fiscal 2018 with initial payment coming out of the fiscal year 2017 budget. Duke Energy has agreed to sponsor the exhibit to help pay for the rental.

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.

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, 2017

Assets	Governmental Activities
Current:	
Cash and cash equivalents	\$ 5,472,990
Accounts receivable - taxes	120,802
Accounts receivable - other	46,387
Interest receivable	62,098
Investments	22,298,301
Total Current Assets	<u>28,000,578</u>
Noncurrent:	
Capital assets:	
Nondepreciated capital assets:	
Land and construction in progress	10,030,401
Depreciated capital assets:	28,589,672
Less accumulated depreciation	<u>(12,048,077)</u>
Net Capital Assets	26,571,996
Other non-current assets	<u>109,344</u>
Total Noncurrent Assets	<u>26,681,340</u>
Total Assets	54,681,918
Deferred Outflows of Resources	
Deferred outflow of resources related to pensions	<u>1,217,372</u>
Total Assets and Deferred Outflow of Resources	<u>55,899,290</u>
Liabilities	
Current:	
Accounts payable	273,287
Accrued wages and vacations payable	314,663
Accrued payroll withholdings	<u>2,597</u>
Total Current Liabilities	590,547
Long term liabilities	
Net pension liability	<u>5,506,807</u>
Total Liabilities	6,097,354
Deferred Inflow of Resources	
Deferred inflow of resources related to pensions	<u>129,348</u>
Total Liabilities and Deferred Inflow of Resources	<u>6,226,702</u>
Net Position	
Net investment in capital assets	26,571,996
Unrestricted	<u>23,100,592</u>
Total Net Position	<u>\$ 49,672,588</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, 2017
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Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants	Capital Grants	
Governmental Activities					
Personnel	\$ 5,192,735	\$ -	\$ -	\$ -	\$ (5,192,735)
Materials	378,522	-	-	-	(378,522)
Facility	226,092	-	-	-	(226,092)
Support services	155,708	-	-	-	(155,708)
Maintenance	370,964	-	-	-	(370,964)
Program	275,364	-	-	-	(275,364)
Automation	91,472	-	-	-	(91,472)
Other	117,358	-	-	-	(117,358)
Depreciation	1,360,517	-	-	-	(1,360,517)
Revenue	-	86,366	94,000	40,757	221,123
Total Governmental Activities	\$ 8,168,732	\$ 86,366	\$ 94,000	\$ 40,757	\$ (7,947,609)
		General revenues			
					\$ 7,212,643
					555,901
					242,464
					53,717
					8,064,725
					117,116
					49,555,472
					\$ 49,672,588

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2017
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Assets	General Fund	Capital Projects Fund	Total Governmental Funds
Current:			
Cash and cash equivalents	\$ 4,611,092	\$ 861,898	\$ 5,472,990
Accounts receivable - taxes	120,802	-	120,802
Accounts receivable - other	46,387	-	46,387
Due from capital projects fund	968,055	-	968,055
Interest Receivable	-	62,098	62,098
Investments	-	22,298,301	22,298,301
Total Current Assets	<u>5,746,336</u>	<u>23,222,297</u>	<u>28,968,633</u>
Non Current Assets			
Prepaid rent	105,018	-	105,018
Other prepaid expenses	3,301	-	3,301
Deposits	1,025	-	1,025
Total Non Current Assets	<u>109,344</u>	<u>-</u>	<u>109,344</u>
Total Assets	<u><u>\$ 5,855,680</u></u>	<u><u>\$ 23,222,297</u></u>	<u><u>\$ 29,077,977</u></u>
 Liabilities and Fund Balances			
 Liabilities			
Current:			
Accounts payable	\$ 273,287	\$ -	\$ 273,287
Due to general fund	-	968,055	968,055
Accrued wages and vacations payable	314,663	-	314,663
Accrued payroll withholdings	2,597	-	2,597
Total current liabilities	<u>590,547</u>	<u>968,055</u>	<u>1,558,602</u>
 Fund Balances			
Non-spendable	109,344	-	109,344
Committed			
Capital projects fund	-	22,254,242	22,254,242
Unassigned			
General fund	5,155,789	-	5,155,789
Total fund balances	<u>5,265,133</u>	<u>22,254,242</u>	<u>27,519,375</u>
Total Liabilities and Fund Balances	<u><u>\$ 5,855,680</u></u>	<u><u>\$ 23,222,297</u></u>	<u><u>\$ 29,077,977</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, 2017

Total governmental fund balances	\$ 27,519,375
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Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in governmental funds.

Cost of capital assets	\$ 38,620,073	
Less accumulated depreciation	<u>(12,048,077)</u>	26,571,996

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Net pension liability	(5,506,807)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reportable in the funds

Deferred outflow of resources	\$ 1,217,372	
Deferred inflow of resources	<u>(129,348)</u>	<u>1,088,024</u>

Total net position - governmental	<u><u>\$ 49,672,588</u></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, 2017

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 7,212,643	\$ -	\$ 7,212,643
Motor vehicle	386,468	-	386,468
Telecommunications	99,007	-	99,007
Watercraft	70,426	-	70,426
Fines and fees	86,366	-	86,366
Grants	21,955	-	21,955
Gifts	575	-	575
Reimbursement	71,470	-	71,470
State aid	40,757	-	40,757
Earnings on investments and deposits	20,047	222,417	242,464
Other local sources	53,717	-	53,717
Total Revenues	<u>8,063,431</u>	<u>222,417</u>	<u>8,285,848</u>
Expenditures			
Personnel	4,869,006	-	4,869,006
Materials	940,489	-	940,489
Facility	192,003	-	192,003
Support services	155,708	-	155,708
Maintenance	370,964	-	370,964
Program	275,364	-	275,364
Automation	126,098	-	126,098
Other	117,358	-	117,358
Capital outlay	-	968,055	968,055
Total Expenditures	<u>7,046,990</u>	<u>968,055</u>	<u>8,015,045</u>
Net Change in Fund Balance	1,016,441	(745,638)	270,803
Fund Balances, Beginning of Year	<u>4,248,692</u>	<u>22,999,880</u>	<u>27,248,572</u>
Fund Balances, End of Year	<u>\$ 5,265,133</u>	<u>\$ 22,254,242</u>	<u>\$ 27,519,375</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, 2017</p>

Net change in fund balances per fund financial statements	\$ 270,803
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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	\$ (1,360,517)	
Capital outlays	<u>1,530,558</u>	170,041

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense:

Costs of benefits earned	(323,728)
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Change in net position of governmental activities	<u><u>\$ 117,116</u></u>
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The accompanying notes are an integral part of these financial statements.

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

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.

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2017</p>
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Capital Project Funds

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, 2017</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:

<u>Description</u>	<u>Capitalization Threshold</u>	<u>Governmental Activities Estimated Lives</u> (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, 2017

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

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2017</p>
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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 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, 2017, the Board held certificates of deposit valued at \$22,298,301.

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, 2017 was \$105,018.

NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2017:

Asset type	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Land	\$ 9,159,978	\$ -	\$ -	\$ 9,159,978
Construction in progress	-	870,423	-	870,423
Buildings and improvements	19,416,349	24,065	-	19,440,414
Land improvements	754,462	-	-	754,462
Furniture, fixtures and equipment	2,571,601	39,477	-	2,611,078
Computer automation	775,328	34,626	-	809,954
Collection - books, AV media	4,738,137	561,967	(579,455)	4,720,649
Vehicles	253,115	-	-	253,115
Subtotal	37,668,970	1,530,558	(579,455)	38,620,073
Less: accumulated depreciation	(11,267,015)	(1,360,517)	579,455	(12,048,077)
Capital assets, net	<u>\$ 26,401,955</u>	<u>\$ 170,041</u>	<u>\$ -</u>	<u>\$ 26,571,996</u>

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

Depreciation expense of \$1,360,517 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, 2017 are:

Fiscal Year Ending June 30,	Minimum Payment
2018	\$ 45,264
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, 2017 was \$14,548. Minimum future rental income for the remainder of the second term is:

Fiscal Year Ending June 30,	Minimum Payment
2018	\$ 14,548
	<u>\$ 14,548</u>

NOTE H – COUNTY EMPLOYEES' RETIREMENT SYSTEM

The District's eligible employees are covered by the County Employees Retirement System for non-hazardous duty employees.

General information about the County Employees Retirement System (CERS) Non-Hazardous

Plan description-Employees are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute 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/>.

Benefits provided- CERS provides retirement and death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service.

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2017</p>
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For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on hire date:

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 Date	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 At least 10 years service and 60 years old
Tier 3	Participation Date	On or after January 1, 2014
	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 contributions by the non-hazardous duty employee are based on the tier:

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

Contributions

The District contributed 18.68%, of which 13.95% was for the pension fund and 4.73% was for the health insurance fund, of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2017. The District made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2017 in the amount of \$514,087, of which \$383,914 was for the pension fund and \$130,173 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, 2017, the District reported a liability of \$5,506,807 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2017</p>
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to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016, the District's employer allocation proportion was 0.11184% of the total CERS non-hazardous duty. The District's proportion decreased 0.004385% from its proportion 0.11623% measured as of June 30, 2015. For the year ended June 30, 2017, the District recognized a pension expense of \$693,700.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 24,041	\$ -
Net difference between projected and actual earnings on plan investments	517,696	-
Changes of assumptions	291,721	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	-	129,348
District's contributions subsequent to the measurement date	383,914	-
Total	<u>\$ 1,217,372</u>	<u>\$ 129,348</u>

The Deferred Inflows and Outflows of Resources, and Pension Expense included in the KRS Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments changes in proportion, all of which are deferred over the weighted average years of working lifetime of all plan participants (active and inactive) which is determined to be 3.51 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Deferred Outflows and Inflows of Resources

In FY 2017, \$1,217,372 was recognized as a deferred outflow of resources resulting from a) actuarial losses, b) difference between projected and actual earnings, c) changes in assumptions, and d) contributions subsequent to the measurement date. In FY 2017, \$129,348 was recognized as a deferred inflow of resources resulting from changes in proportion share.

The District's contributions subsequent to the measurement date of \$383,914 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Fiscal Year Ending June 30,	Net Deferral Amortization
2018	\$ 271,656
2019	169,190
2020	163,804
2021	99,460
	<u>\$ 704,110</u>

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5% for all but 6.75% for KERS (Non-Hazardous), net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one 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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. 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 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.

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

Changes of Assumptions

The demographic and economic assumptions that affect the measurement of the total pension liability were last updated as of June 30, 2015 as follows:

- The assumed investment rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used 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:

<u>Asset Class</u>	<u>CERS Hazardous & Non-Hazardous Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

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

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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Discount Rate	District's Proportionate Share of Net Pension Liability
1% decrease	6.5%	\$ 6,862,373
Current discount rate	7.5%	5,506,807
1% increase	8.5%	4,344,817

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report 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 \$27,883,057. Of the total cash balance, \$50,615 was covered by Federal Depository Insurance Corporation (FDIC). In addition, two financial institutions have collateralized \$15,386,780 of the District's certificates of deposit through investments in the Certificate of Deposit Account Registry Service (CDARS). Through this process this \$15,386,780 was covered in full by the FDIC. The remaining balance of \$12,445,662 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, 2017 consisted of the following:

	Bank Balance	Book Balance
Total on deposit	\$ 27,883,057	\$ 27,770,591
Cash on hand	-	700
Total all cash and certificates of deposit	<u>\$ 27,883,057</u>	<u>\$ 27,771,291</u>

NOTE J – CONTINGENCIES

The District is not currently a defendant in any lawsuits.

NOTE K – SUBSEQUENT EVENTS

Management has considered subsequent events through November 16, 2017, which represents the date the financial statements were available to be issued. The District did not have any events subsequent to June 30, 2017 through November 16, 2017 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, 2017

	<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	\$ 7,212,643	\$ 212,643
Motor vehicle	320,000	-	320,000	386,468	66,468
Telecommunications	101,000	-	101,000	99,007	(1,993)
Watercraft	35,000	-	35,000	70,426	35,426
Fines and fees	85,258	(10,000)	75,258	86,366	11,108
Grants	-	18,455	18,455	21,955	3,500
Gifts	-	-	-	575	575
Reimbursement	58,800	-	58,800	71,470	12,670
State aid	44,788	(4,031)	40,757	40,757	-
Investment earnings	170,000	-	170,000	20,047	(149,953)
Other local sources	32,747	-	32,747	53,717	20,970
Total revenues	<u>7,847,593</u>	<u>4,424</u>	<u>7,852,017</u>	<u>8,063,431</u>	<u>211,414</u>
Expenditures					
Personnel	5,402,922	(11,212)	5,391,710	4,869,006	522,704
Materials	997,276	(6,752)	990,524	940,489	50,035
Facility	491,853	934,617	1,426,470	192,003	1,234,467
Support services	158,652	5,093	163,745	155,708	8,037
Maintenance	407,985	3,300	411,285	370,964	40,321
Program	301,890	(9,200)	292,690	275,364	17,326
Automation	252,086	1,207	253,293	126,098	127,195
Other	112,163	25,194	137,357	117,358	19,999
Total expenditures	<u>8,124,827</u>	<u>942,247</u>	<u>9,067,074</u>	<u>7,046,990</u>	<u>2,020,084</u>
Excess of revenues over (under) expenditures	(277,234)	(937,823)	(1,215,057)	1,016,441	2,231,498
Fund balance, beginning of year	<u>1,716,973</u>	<u>23,070</u>	<u>1,740,043</u>	<u>4,248,692</u>	<u>2,508,649</u>
Fund balance, end 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>

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of net pension liability	0.111840%	0.116230%	0.116993%							
Proportionate share of the net pension liability (asset)	\$ 5,506,807	\$ 4,997,345	\$ 3,795,680							
Covered employee payroll in year of measurement	2,667,983	2,711,795	2,683,337							
Share of the net pension liability (asset) as a percentage of its covered employee payroll	206.40%	184.28%	141.45%							
Plan fiduciary net position as a percentage of total pension liability	55.50%	59.97%	66.80%							

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 383,914	\$ 331,698	\$ 345,754	\$ 368,910						
Actual contribution	383,914	331,698	345,754	368,910						
Contribution deficiency (excess)	-	-	-	-						
Covered employee payroll	2,773,117	2,667,983	2,711,795	2,683,337						
Contributions as a percentage of covered employee payroll	13.84%	12.43%	12.75%	13.75%						

Notes to Required Supplementary Information
For the Year Ended June 30, 2017
Changes of Assumptions

The net pension liability as of June 30, 2017, is based on the June 30, 2016, 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.



**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, 2017, 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 November 16, 2017.

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
November 16, 2017