

BOYLE COUNTY LIBRARY TAXING DISTRICT
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018



CRAFT, NOBLE & COMPANY
PLLC

Certified Public Accountants
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
Management's Discussion and Analysis	3 - 5
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in General Fund Balance of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11 - 16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	19

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Boyle County Library Taxing District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Boyle County Library Taxing District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Taxing 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Boyle County Library Taxing District, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 19 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 October 23, 2018 on our consideration of the Boyle County Library Taxing 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 Boyle County Library Taxing District's internal control over financial reporting and compliance.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 23, 2018

BOYLE COUNTY LIBRARY TAXING DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Boyle County Library Taxing District's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the Taxing District for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the Taxing District's Financial Statements, which follow.

Financial Highlights

- I. The Taxing District's total assets decreased by \$38,626*
- II. The Taxing District's share of the property tax decreased by \$4,275 from the previous fiscal year.*
- III. The Taxing District continues to work with Danville Library, Inc. on the library operations.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Taxing District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Taxing District's overall financial status. The fund financial statements focus on the current operational activity of the Taxing District, reporting the Taxing District's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Taxing District's accountability.

Government-Wide Statements

The government-wide statements report information about the Taxing District as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Taxing District's finances is "Is the Taxing District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Taxing District's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Taxing District and the changes in them. One can think of the Taxing District's net position – the difference between assets and liabilities – as a way to measure the Taxing District's financial position. Over time, increases or decreases in the Taxing District's net position is one indicator of whether the Taxing District is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Taxing District's overall activity.

Governmental activities – most of the Taxing District's basic services are reported here. Property taxes, grants, and other income finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Taxing District's funds. The fund financial statements provide more information about the Taxing District's funds and current year details of operations and not the Taxing District as a whole.

The Taxing District's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Taxing District. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Taxing District as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 8,221,809	\$ 8,481,573	\$ (259,764)
Other assets	1,372,384	1,151,246	221,138
Long-term liabilities	3,400,000	3,670,000	(270,000)
Current liabilities	270,000	270,000	-
Invested in fixed assets	4,551,809	4,541,573	10,236
Temporarily restricted	151,001	96,595	54,406
Unrestricted net position	1,221,383	1,054,651	166,732

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Public Library Tax			
Boyle County Sheriff	\$ 1,609,069	\$ 1,604,222	\$ 4,847
Boyle County Clerk	78,119	79,720	(1,601)
Kentucky Revenue Department	23,764	31,285	(7,521)
Investment earnings	1,373	937	436
Operating grants and contributions	18,356	18,356	-
Capital grants and contributions	105,000	105,000	-
Total revenues	<u>1,835,681</u>	<u>1,839,520</u>	<u>(3,839)</u>
Transfers to Danville Library, Inc.			
Public library tax	1,240,000	1,100,000	140,000
KDLA grants	18,356	18,356	-
General operating expenses	5,533	22,678	(17,145)
Debt service interest	80,654	83,359	(2,705)
Depreciation expense	<u>259,764</u>	<u>332,822</u>	<u>(73,058)</u>
Total expenditures	<u>1,604,307</u>	<u>1,557,215</u>	<u>47,092</u>
Change in fund balance	<u>\$ 231,374</u>	<u>\$ 282,305</u>	<u>\$ (50,931)</u>

The Taxing District's main source of revenue is property tax, which is approximately 93% of the Taxing District's total revenue. Other income sources included donations, state aid, and fines and fees. Transfers to Danville Library, Inc. represent 78% of total expenditures

Capital Asset Activity

The Taxing District saw increased demand for the services it offers. While physical expansion of the property was completed four years ago, the 44,000 square foot library building has seen continual and heavy use for nearly nine years. The completion of the Taxing District's new long-range plan calls for an evaluation of space usage in light of additional library services offered, public usage trends, and increased staffing. Refurbishing of some furnishings and some modification of physical spaces is anticipated as a result of this evaluation.

Budget Highlights

The Taxing District operates on a budget which seeks to present all funds held by the Taxing District. The Taxing District adopts an annual budget each June. A preliminary budget is discussed by the Director and the Finance Committee of the Board of Trustees before adopting a final budget. The budget provides framework, in conjunction with a long-range plan, to guide expenditures throughout the year. The budget is amended throughout the year if unusual or unexpected events occur. The Trustees are presented with a detailed current month report as well as a year-to-date statement at each monthly meeting.

Budget Comparison for 2017-2018

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 1,666,724	\$ 1,730,577	\$ 63,853
Transfers to Danville Library, Inc			
Public library tax	1,200,000	1,240,000	(40,000)
KDLA grants	18,000	18,356	(356)
General operating expenses	6,000	5,533	467
Capital outlay	-	-	-
Transfers to other funds	345,225	300,000	45,225
Total Income (Loss)	<u>\$ 97,499</u>	<u>\$ 166,688</u>	<u>\$ 69,189</u>

Economic Factors and Next Year's Budget

The Taxing District recognizes the local economy as a major factor when creating the annual budget. Property taxes remain the single largest source of revenue for the operation of the Taxing District. The Taxing District also recognizes the increased demand for library resources and services, the need to adequately fund any endeavors the library pursues, and maintaining current operations without unduly affecting the community as a whole. The budget for the 2016-17 fiscal year addressed the expansion of Outreach services with a new bookmobile and modifications to the staffing structure. The 2017-2018 budget reflects the Taxing District's commitment to provide improved services with a continued restructuring of and increase in staff and objective evaluation of library facilities and services as a means of fulfilling the goals of the new long-range plan.

Contacting the Taxing District Management

The financial report is designed to provide the citizens of Boyle County with a general overview of the Taxing District's finances and to demonstrate the Taxing District's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Georgia de Araujo or the Treasurer, Sam Pollom.

Boyle County Library Taxing District
Statement of Net Position
June 30, 2018

Assets	
Cash, unrestricted	\$ 1,204,309
Cash, restricted	151,001
Accounts receivable	17,074
Non-Current Assets:	
Land	1,524,573
Buildings and improvements	8,927,246
Furniture and equipment	812,652
Electronics	25,996
Vehicles	25,230
Less: accumulated depreciation	<u>(3,093,888)</u>
Total Non-Current Assets	<u>8,221,809</u>
 Total Assets	 <u><u>\$ 9,594,193</u></u>
 Liabilities and Net Position	
Liabilities:	
Long-Term Obligations:	
Current portion of bond obligations	\$ 270,000
Non-Current portion of bond obligations	<u>3,400,000</u>
 Total Liabilities	 <u>3,670,000</u>
 Net Position	
Invested in fixed assets	4,551,809
Temporarily restricted	
Reserved for debt service	151,001
Unrestricted	<u>1,221,383</u>
Total Net Position	<u>5,924,193</u>
 Total Liabilities and Net Position	 <u><u>\$ 9,594,193</u></u>

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

Boyle County Library Taxing District
Statement of Activities
For The Year Ended June 30, 2018

Functions/Programs	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
				<u>Primary Government</u>
Primary government				
Governmental activities				
General government	\$ (1,523,653)	18,356	105,000	\$ (1,400,297)
Debt Service	<u>\$ (80,654)</u>	<u>-</u>	<u>-</u>	<u>\$ (80,654)</u>
Total Governmental Activities	<u>\$ (1,604,307)</u>	<u>\$ 18,356</u>	<u>\$ 105,000</u>	<u>\$ (1,480,951)</u>
General Revenues:				
Public Library Tax:				
Boyle County Sheriff				1,609,069
Boyle County Clerk				78,119
Kentucky Revenue Department				23,764
Investment earnings				<u>1,373</u>
Total general revenues				<u>1,712,325</u>
Change in net position				231,374
Net position - beginning				<u>5,692,819</u>
Net position - ending				<u>\$ 5,924,193</u>

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

Boyle County Library Taxing District
Balance Sheet
All Fund Types and Account Groups
June 30, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash, unrestricted	\$ 1,204,309	\$ -	\$ 1,204,309
Cash, restricted	-	151,001	151,001
Accounts receivable	17,074	-	17,074
Total Assets	\$ 1,221,383	\$ 151,001	\$ 1,372,384
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balances			
Assigned for:			
Debt service	\$ -	\$ 151,001	\$ 151,001
Unassigned	1,221,383	-	1,221,383
Total Fund Balances	\$ 1,221,383	\$ -	\$ 1,372,384

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 8,221,809
Certain liabilities (including bonds payable) are not due and payable in the current period and therefore, not reported in the fund	(3,670,000)
Net position of governmental activities	\$ 5,924,193

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

Boyle County Library Taxing District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund Types
For The Year Ended June 30, 2018

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Public library tax:			
Boyle County Sheriff	\$ 1,609,069	\$ -	\$ 1,609,069
Boyle County Clerk	78,119	-	78,119
Kentucky Revenue Department	23,764	-	23,764
Commonwealth of KY- KDLA Grants	18,356	-	18,356
Commonwealth of KY- PLFC Grant	-	105,000	105,000
Interest	1,269	104	1,373
Other revenues	-	-	-
	<u>1,730,577</u>	<u>105,104</u>	<u>1,835,681</u>
Expenditures			
Current			
Transfers to Danville Library, Inc.			
Public library tax	\$ 1,240,000	\$ -	\$ 1,240,000
KDLA grants	18,356	-	18,356
General operating expenses	5,533	-	5,533
Debt service principal	-	270,000	270,000
Debt service interest expense	-	80,654	80,654
	<u>1,263,889</u>	<u>350,654</u>	<u>1,614,543</u>
Total Current Expenditures			
Operating capital outlays	-	-	-
	<u>1,263,889</u>	<u>350,654</u>	<u>1,614,543</u>
Total Expenditures	<u>1,263,889</u>	<u>350,654</u>	<u>1,614,543</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 466,688	\$ (245,550)	\$ 221,138
Other Financing Sources (Uses)			
Transfers (to)/from other funds	(300,000)	300,000	-
	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Net change in fund balance	166,688	54,450	221,138
Fund balance - beginning	1,054,695	96,551	1,151,246
Fund balance - ending	<u>\$ 1,221,383</u>	<u>\$ 151,001</u>	<u>\$ 1,372,384</u>

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

Boyle County Library Taxing District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund Types to the Statement of Activities
 For The Year Ended June 30, 2018

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	221,138
--	----	---------

Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Depreciation Expense		(259,764)
----------------------	--	-----------

Governmental Funds report expenses as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded fewer expenses than the fund accounting.

		<u>270,000</u>
--	--	----------------

Change in Net Position of Governmental Activities	\$	<u><u>231,374</u></u>
---	----	-----------------------

BOYLE COUNTY LIBRARY TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Boyle County Library Taxing District (the Taxing District) was created in 1988 as a taxing district. This library district was formed by the Boyle County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

The Taxing District contracts with Danville Library, Inc. to provide library services for all Boyle County residents. Danville Library, Inc. provides access to materials and services to help users obtain information to meet their educational, personal, and professional needs. Danville Library services as a lifelong learning and general information center and as an access point for current resources of local, regional, and broader interests. Danville Library's primary emphasis is on developing a collection of materials for people of all ages to use in their pursuit of personal growth, development, and leisure.

Basis of Presentation

The financial statements of the Taxing District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the Taxing District as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The Taxing District has three such governmental fund that accounts for the daily operating activity of the Taxing District. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the Taxing 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.
- The Special Projects Fund is a secondary fund of the Taxing District. It accounts for financial resources used for a special operating, in this case the building and expansion of the library. Fund are only available for use for the designated project.
- The Debt Services Fund is another secondary fund of the Taxing District. It accounts for financial resources used to pay on the Taxing District's bond. The funds can only be used for principal and interest payments.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Taxing District by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

BOYLE COUNTY LIBRARY TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Budgeting

The Taxing District follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

The Taxing District annually adopts a budget for the general fund in conjunction with Danville Library, Inc. The Taxing District budgets the amount of tax revenues and state grants to support Danville Library, Inc., retaining the balance of revenues for administrative and future capital expenditures. The budget is submitted to the fiscal court for approval by June 30th each year. The Taxing District may amend the legally adopted budget when unexpected modifications are required in estimated reserves and appropriations.

The Taxing District's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: Tax support to Danville Library, Inc., Grants for the support of Danville Library, Inc., operating expenses, capital outlay, transfers, and debt service.

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues includes those property tax receivables expected to be collected within sixty-days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. The Taxing District defines capital assets as assets with an initial individual cost of more than \$1,000. Additionally, as all capital assets are directly utilized in Danville Library's operating activities, an expense for capital outlays has been reported on the fund financial statements. Danville Library expenses all books and materials as purchased and does not capitalize such items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2018 was \$259,764.

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

As of June 30, 2011, the Taxing District implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Taxing District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2018, fund balances are comprised of the following:

		<u>General Fund</u>
Assigned- Debt Service	\$	151,001
Unassigned	\$	1,221,383

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Taxing District maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Taxing District’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Taxing District’s categorization as of June 30, 2018 was as follows:

Category 1	\$	250,000
Category 2	\$	1,105,310
Category 3	\$	-

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 3 – CASH AND INVESTMENTS

Operating transfers are the amount of cash resources that the board has elected to restrict or release from restriction. Below is the summary of the cash on hand at June 30, 2018.

	Unrestricted Funds	Temporarily Restricted Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Accounts:			
Checking Accounts	\$ 7,970	\$ -	\$ 7,970
Money Market Accounts	1,196,339	151,001	1,347,340
	<u>\$ 1,204,309</u>	<u>\$ 151,001</u>	<u>\$ 1,355,310</u>

NOTE 4 – CAPITAL ASSETS

The Taxing District has worked with Danville Library, Inc. over the year to jointly expand the current library building, purchase furniture, equipment, and supplies. Jointly owned fixed assets purchase prior to July 1, 2000 are stated at historical cost in the Danville Library, Inc. financial statements. Fixed assets purchased since July 1, 2000 are included in the Boyle County Library Taxing District's fixed assets and are stated at historical cost.

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2018</u>
Land	\$ 1,524,573	\$ -	\$ -	\$ 1,524,573
Building and improvements	8,927,246	-	-	8,927,246
Furniture and equipment	812,652	-	-	812,652
Electronics	25,996	-	-	25,996
Vehicle	25,230	-	-	25,230
Total at historical cost	<u>11,315,697</u>	<u>-</u>	<u>-</u>	<u>11,315,697</u>
Less: Accumulated Depreciation				
Building and improvements	2,009,603	252,706	-	2,262,309
Furniture and equipment	795,687	4,535	-	800,222
Electronics	25,996	-	-	25,996
Vehicle	2,838	2,523	-	5,361
Total accumulated depreciation	<u>2,834,124</u>	<u>259,764</u>	<u>-</u>	<u>3,093,888</u>
Capital assets – net	<u>\$ 8,481,573</u>	<u>\$ (259,764)</u>	<u>\$ -</u>	<u>\$ 8,221,809</u>

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 5 – GENERAL OBLIGATION BONDS

The Taxing District issued \$4,160,000 of General Obligation Refunding Bonds, Series 2016, (advance refunding) dated May 25, 2016, with an interest rate ranging from 2.00%-2.50%. The bond matures serially each January 1 through January 1, 2032. The bonds are collateralized by the Taxing District’s building for which the bonds were taken out to fund expansion.

The proceeds from the refunding bonds have been deposited in an irrevocable trust at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

The maturities of bonds payable of \$3,670,000 are summarized as follows:

	Principal	Interest	Total
June 2019	\$ 270,000	\$ 77,925	\$ 347,925
June 2020	275,000	72,525	347,525
June 2021	285,000	67,025	352,025
June 2022	290,000	61,325	351,325
June 2023	295,000	55,525	350,525
June 2024-2028	1,350,000	188,525	1,538,525
June 2029-2032	905,000	56,838	961,838
Total	\$ 3,670,000	\$ 579,688	\$ 4,249,688

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	Series 2016 Bonds
Payable at June 30, 2017	\$ 3,940,000
Debt retired during the year	(270,000)
Payable at June 30, 2018	\$ 3,670,000

NOTE 7 – CONTRACT AND CONCENTRATION WITH DANVILLE LIBRARY, INC.

The Taxing District has a five-year contract with Danville Library, Inc. to provide library services for Boyle County residents. Should Danville Library, Inc. no longer provide these services, the Taxing District may have difficulty finding a replacement.

The contract originally signed in June 2012 for a five year term by both the Board of Trustee of Danville Library, Inc. and Board of Trustees of the Boyle County Library Taxing District has been extended for an additional five years and will be in effect until June 30, 2022.

Under the terms of the contract the two boards will establish a sum by June 30 for the following fiscal year’s budget. All Kentucky Department for Libraries and Archive grants will go to Danville Library unless designated for a construction project.

Should this contract not be renewed and Danville Library, Inc. no longer provide these services, finding a replacement could impact the Taxing District in its ability to provide services. Currently the main expense of the Taxing District is the funds it provides to Danville Library, Inc., under the contract.

BOYLE COUNTY LIBRARY TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – CONSTRUCTION GRANT

The Taxing District has been allocated funds through the Kentucky Department for Libraries and Archives from the Public Library Facilities Construction (PLFC) Fund for the expansion project. The annual award is subject to availability of funds appropriated for this purpose in each biennium by the legislature. Pursuant to KRS 171-027, funds must be segregated and may only be used to make debt service payments for new library facilities and library improvements. All earnings on these funds must be used for debt service. The grant was for twenty payments of \$105,000 each to be received annually. During the year ending June 30, 2018, the twelfth \$105,000 payment was received and applied to the reduction of long-term debt.

NOTE 9 – RISK MANAGEMENT

The Taxing District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the Taxing District also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied on October 1, 2017 on the assessed property located in Boyle County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

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

NOTE 11 – SUBSEQUENT EVENTS

Management of the Taxing District has considered subsequent events through October 23, 2018, the date this report became available for issuance.

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Boyle County Library Taxing District
Danville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Boyle County Library Taxing District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Boyle County Library Taxing District's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in 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 Boyle County Library Taxing 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.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
Richmond, Kentucky
October 23, 2018

Boyle County Library Taxing District
Statement of Revenues, Expenditures and Changes in General Fund Balance
Budget and Actual
For The Year Ended June 30, 2018

Revenues	Original Budget	Revised Budget	Actual	Favorable (Unfavorable) Balance
Public library tax	\$ 1,647,364	\$ 1,647,364	\$ 1,710,952	\$ 63,588
KDLA Grants	18,000	18,000	18,356	356
Investment income	1,360	1,360	1,269	(91)
Donations & other revenues	-	-	-	-
Total Revenue	1,666,724	1,666,724	1,730,577	63,853
Expenditures				
Transfers to Danville Library, Inc.				
Public library tax	1,200,000	1,200,000	1,240,000	(40,000)
KDLA grants	18,000	18,000	18,356	(356)
General operating expenses	6,000	6,000	5,533	467
Total Current Expenditures	1,224,000	1,224,000	1,263,889	(39,889)
Operating capital outlays	-	-	-	-
Total Expenditures	1,224,000	1,224,000	1,263,889	(39,889)
Excess of revenues over expenditures	442,724	442,724	466,688	23,964
Other financing sources (uses)				
Transfers (to) from other funds	(345,225)	(345,225)	(300,000)	45,225
Net change in fund balance	\$ 97,499	\$ 97,499	166,688	\$ 69,189
Fund balance - beginning			1,054,695	
Fund balance - ending			\$ 1,221,383	

See Independent Auditor's Report.