

BOYLE COUNTY LIBRARY TAXING DISTRICT
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Boyle County Library Taxing District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boyle County Library Taxing District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boyle County Library Taxing District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boyle County Library Taxing District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boyle County Library Taxing District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 December 22, 2022 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, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 22, 2022

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, 2022. 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 \$26,109.*
- II. The Taxing District's share of the property tax increased by 1.74% 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 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 District's overall financial status. The fund financial statements focus on the current operational activity of the District, reporting the Library'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 District's accountability.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the District's finances is "Is the Library 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 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 District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the District's net position are one indicator of whether the Library 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.

Fund Financial Statements

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

The District's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the 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, 2022 and 2021:

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>Variance</u> |
|-------------------------------------|----------------------|----------------------|-----------------|
| Capital assets, net of depreciation | \$ 7,196,804 | \$ 7,452,389 | \$ (255,585) |
| Other assets | 2,815,328 | 2,585,852 | 229,476 |
| Long-term liabilities | 2,255,000 | 2,550,000 | (295,000) |
| Current liabilities | 295,000 | 290,000 | 5,000 |
| Invested in fixed assets | 4,646,804 | 4,612,389 | 34,415 |
| Temporarily restricted | 4,178 | 150,595 | (146,417) |
| Unrestricted net position | 2,811,150 | 2,435,257 | 375,893 |

Revenue and Expense Comparison for the years ended:

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>Variance</u> |
|-------------------------------------|----------------------|----------------------|---------------------|
| Public Library Tax | | | |
| Boyle County Sheriff | \$ 1,936,691 | \$ 1,906,387 | \$ 30,304 |
| Boyle County Clerk | 91,747 | 87,444 | 4,303 |
| Kentucky Revenue Department | 24,281 | 52,369 | (28,088) |
| Investment earnings | 2,124 | 1,842 | 282 |
| Other revenues | - | 17 | (17) |
| Operating grants and contributions | 7,443 | - | 7,443 |
| Capital grants and contributions | 105,000 | 105,000 | - |
| Total revenues | <u>2,167,286</u> | <u>2,153,059</u> | <u>14,227</u> |
| Transfers to Danville Library, Inc. | | | |
| Public library tax | 1,575,000 | 1,270,000 | 305,000 |
| KDLA grants | 7,443 | - | 7,443 |
| General operating expenses | 6,902 | 5,490 | 1,412 |
| Debt service interest | 58,465 | 62,534 | (4,069) |
| Depreciation expense | 255,585 | 255,585 | - |
| Total expenditures | <u>1,903,395</u> | <u>1,593,609</u> | <u>309,786</u> |
| Change in fund balance | <u>\$ 263,891</u> | <u>\$ 559,450</u> | <u>\$ (295,559)</u> |

The Taxing District's main source of revenue is property tax, which is approximately 94.71% of the Taxing District's total revenue— slightly higher than the state average of 93.50%. Other income sources included donations, state aid, and fines and fees. Transfers to Danville Library, Inc. represent 82.75% of total expenditures

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 2021-2022

| | <u>Budgeted Amount</u> | <u>Actual Amount</u> | <u>Difference</u> |
|------------------------------------|------------------------|----------------------|-------------------|
| Net Revenue | \$ 1,872,131 | \$ 2,054,795 | \$ 182,664 |
| Transfers to Danville Library, Inc | | | |
| Public library tax | 1,575,000 | 1,575,000 | - |
| KDLA grants | - | - | - |
| General operating expenses | 6,000 | 6,902 | (902) |
| Capital outlay | - | - | - |
| Transfers to other funds | 348,425 | 97,000 | 251,425 |
| Total Income (Loss) | <u>\$ (57,294)</u> | <u>\$ 375,893</u> | <u>\$ 433,187</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 both traditional and innovative library resources and service, the need to adequately fund any endeavors the library pursues and maintaining current operations without unduly affecting the community as a whole. Planning for fiscal year 2023 must take into account the challenging hiring climate and ongoing volatility of supply chains. The long-term effects of the Covid19 pandemic on prices for many goods and supplies will require increases in some budget lines simply to maintain current service levels. The library's commitment to a living wage salary scale at all levels of staffing will require a careful balancing of compensation for the library's most valuable resource, its staff, with strategic use of goods, resources, and supplies in its provision of community services. The Taxing District is in a strong position vis-a-vis tax collection rates and carefully monitors local economic indicators and activities. The District is in the positive position of having five to six months of operating revenue as a reserve. The new fiscal year budgeting process will emphasize prioritized planning for spending so that a flexible response to fluctuations in supply chains will be possible when required. Fiscal Year 2023 will likely be a year of growth as pent-up demand for library services, especially related to Outreach and Youth Services, continues to expand.

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, 2022

| | |
|---|-----------------------------|
| Assets | |
| Cash, unrestricted | \$ 2,799,679 |
| Cash, restricted | 4,178 |
| Accounts receivable | 11,471 |
| Fixed 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>(4,118,893)</u> |
| Total Fixed Assets | <u>7,196,804</u> |
| Total Assets | <u><u>\$ 10,012,132</u></u> |
| Liabilities: | |
| Long-Term Obligations: | |
| Current portion of bond obligations | \$ 295,000 |
| Non-Current portion of bond obligations | <u>2,255,000</u> |
| Total Liabilities | <u>2,550,000</u> |
| Net Position | |
| Invested in fixed assets | 4,646,804 |
| Temporarily restricted | |
| Reserved for debt service | 4,178 |
| Unrestricted | <u>2,811,150</u> |
| Total Net Position | <u>7,462,132</u> |
| Total Liabilities and Net Position | <u><u>\$ 10,012,132</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, 2022

| 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> |
|-------------------------------|---------------------|---|---|--|
| Primary government | | | | |
| Governmental activities | | | | |
| General government | \$ 1,844,930 | 7,443 | 105,000 | \$ (1,732,487) |
| Debt Service | <u>58,465</u> | <u>-</u> | <u>-</u> | <u>(58,465)</u> |
| Total Governmental Activities | <u>\$ 1,903,395</u> | <u>\$ 7,443</u> | <u>\$ 105,000</u> | <u>\$ (1,790,952)</u> |
| | | | | |
| General Revenues: | | | | |
| Public Library Tax | | | | 1,936,691 |
| Boyle County Sheriff | | | | 91,747 |
| Boyle County Clerk | | | | 24,281 |
| Kentucky Revenue Department | | | | 2,124 |
| Investment earnings | | | | <u>2,054,843</u> |
| Total general revenues | | | | <u>263,891</u> |
| Change in net position | | | | 7,198,241 |
| Net position - beginning | | | | <u>\$ 7,462,132</u> |
| Net position - ending | | | | <u>7,462,132</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, 2022

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--------------------------------------|--------------|----------------------|--------------------------------|
| Assets | | | |
| Cash, unrestricted | \$ 2,799,679 | \$ - | \$ 2,799,679 |
| Cash, restricted | - | 4,178 | 4,178 |
| Accounts receivable | 11,471 | - | 11,471 |
| Total Assets | \$ 2,811,150 | \$ 4,178 | \$ 2,815,328 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Total Liabilities | - | - | - |
| Fund Balances | | | |
| Assigned for: | | | |
| Debt service | \$ - | \$ 4,178 | \$ 4,178 |
| Unassigned | 2,811,150 | - | 2,811,150 |
| Total Fund Balances | \$ 2,811,150 | \$ 4,178 | \$ 2,815,328 |

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 | \$ 7,196,804 |
| Certain liabilities (including bonds payable) are not due and payable in the current period and therefore, not reported in the fund | (2,550,000) |
| Net position of governmental activities | \$ 7,462,132 |

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, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|---------------------|------------------------------|---|
| Revenues | | | |
| Public library tax: | | | |
| Boyle County Sheriff | \$ 1,936,691 | \$ - | \$ 1,936,691 |
| Boyle County Clerk | 91,747 | - | 91,747 |
| Kentucky Revenue Department | 24,281 | - | 24,281 |
| Commonwealth of KY- PLFC Grant | - | 105,000 | 105,000 |
| Interest | 2,076 | 48 | 2,124 |
| | <u>2,054,795</u> | <u>105,048</u> | <u>2,159,843</u> |
| Total Revenue | | | |
| Expenditures | | | |
| Current | | | |
| Transfers to Danville Library, Inc. | | | |
| Public library tax | \$ 1,575,000 | \$ - | \$ 1,575,000 |
| General operating expenses | 6,902 | - | 6,902 |
| Debt service principal | - | 290,000 | 290,000 |
| Debt service interest expense | - | 58,465 | 58,465 |
| | <u>1,581,902</u> | <u>348,465</u> | <u>1,930,367</u> |
| Total Current Expenditures | | | |
| Operating capital outlays | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | | | |
| | <u>1,581,902</u> | <u>348,465</u> | <u>1,930,367</u> |
| Excess (deficiency) of revenues over (under) expenditures | | | |
| | \$ 472,893 | \$ (243,417) | \$ 229,476 |
| Other Financing Sources (Uses) | | | |
| Transfers (to)/from other funds | <u>(97,000)</u> | <u>97,000</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | | | |
| | <u>(97,000)</u> | <u>97,000</u> | <u>-</u> |
| Net change in fund balance | | | |
| | 375,893 | (146,417) | 229,476 |
| Fund balance - beginning | | | |
| | 2,435,257 | 150,595 | 2,585,852 |
| Fund balance - ending | | | |
| | <u>\$ 2,811,150</u> | <u>\$ 4,178</u> | <u>\$ 2,815,328</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, 2022

Reconciliation to the Statement of Activities:

| | | |
|---|----|-----------|
| Net Change in Fund Balance - Governmental Fund | \$ | 229,476 |
| <p>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.</p> | | |
| Depreciation Expense | | (255,585) |
| <p>Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position</p> | | |
| | | 290,000 |
| Change in Net Position of Governmental Activities | \$ | 263,891 |

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

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2022

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 serves 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 funds that accounts for the daily operating activity of the Taxing District. A description of such funds are 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, 2022

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, 2022 was \$255,585.

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2022

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, 2022, fund balances are comprised of the following:

| | | <u>General Fund</u> |
|------------------------|----|---------------------|
| Assigned- Debt Service | \$ | 4,178 |
| Unassigned | \$ | 2,811,150 |

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 – CHANGE IN ACCOUNTING PRINCIPLE

The Taxing District adopted GASB Statement No. 87, *Leases*, for the year ended June 30, 2022. This guidance changes how governments handle the accounting and disclose leases. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Taxing District determined through a review of their leases that the impact of the standard was immaterial.

NOTE 3 – 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, 2022 was as follows:

| | | |
|------------|----|-----------|
| Category 1 | \$ | 250,000 |
| Category 2 | \$ | 2,552,370 |
| Category 3 | \$ | - |

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2022

NOTE 4 – 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, 2022.

| | Unrestricted Funds | Temporarily Restricted Funds | Total |
|-----------------------|-----------------------|---------------------------------|---------------------|
| Cash Accounts: | | | |
| Checking Accounts | \$ 18,783 | \$ - | \$ 18,783 |
| Money Market Accounts | 2,780,896 | 4,178 | 2,785,074 |
| | <u>\$ 2,799,679</u> | <u>\$ 4,178</u> | <u>\$ 2,803,857</u> |

NOTE 5 – CAPITAL ASSETS

The Taxing District has worked with Danville Library, Inc. over the years 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, 2022 was as follows:

| Governmental Activities | June 30, 2021 | Additions | Disposals | June 30, 2022 |
|--------------------------------|---------------------|---------------------|-------------|---------------------|
| 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 | 3,020,625 | 253,062 | - | 3,273,687 |
| Furniture and equipment | 803,757 | - | - | 803,757 |
| Electronics | 25,996 | - | - | 25,996 |
| Vehicle | 12,930 | 2,523 | - | 15,453 |
| Total accumulated depreciation | <u>3,863,308</u> | <u>255,585</u> | <u>-</u> | <u>4,118,893</u> |
| Capital assets – net | <u>\$ 7,452,389</u> | <u>\$ (255,585)</u> | <u>\$ -</u> | <u>\$ 7,196,804</u> |

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2022

NOTE 6 – 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 \$2,550,000 are summarized as follows:

| | Principal | Interest | Total |
|------------------|---------------------|-------------------|---------------------|
| June 2023 | \$ 295,000 | \$ 55,525 | \$ 350,525 |
| June 2024 | 305,000 | 49,625 | 354,625 |
| June 2025 | 310,000 | 43,525 | 353,525 |
| June 2026 | 310,000 | 37,325 | 347,325 |
| June 2027 | 210,000 | 31,125 | 241,125 |
| June 2028 - 2033 | 1,120,000 | 83,763 | 1,203,763 |
| Total | <u>\$ 2,550,000</u> | <u>\$ 300,888</u> | <u>\$ 2,850,888</u> |

NOTE 7 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

| | Series 2016 Bonds |
|------------------------------|---------------------|
| Payable at June 30, 2021 | \$ 2,840,000 |
| Debt retired during the year | (290,000) |
| Payable at June 30, 2022 | <u>\$ 2,550,000</u> |

NOTE 8 – 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, 2022

NOTE 9 – 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, 2022, the sixteenth \$105,000 payment was received and applied to the reduction of long-term debt.

NOTE 10 – 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 11 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2022 were levied on October 1, 2021 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 12 – SUBSEQUENT EVENTS

Management of the Taxing District has considered subsequent events through December 22, 2022, the date this report became available for issuance.

The contract with Danville Library, Inc. was extended subsequent to the year-end for an additional five years.

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
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, 2022, 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 December 22, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 or significant deficiencies may exist that were not identified.

Report on 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*.



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
CPAs & Trusted Advisors

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, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 22, 2022

Boyle County Library Taxing District
Statement of Revenues, Expenditures and Changes in General Fund Balance
Budget and Actual
For The Year Ended June 30, 2022

| Revenues | Original Budget | Revised Budget | Actual | Favorable (Unfavorable) Balance |
|---|---------------------|---------------------|---------------------|---------------------------------------|
| Public library tax | \$ 1,870,331 | \$ 1,870,331 | \$ 2,052,719 | \$ 182,388 |
| KDLA Grants | - | - | - | - |
| Investment income | 1,800 | 1,800 | 2,076 | 276 |
| Donations & other revenues | - | - | - | - |
| Total Revenue | <u>1,872,131</u> | <u>1,872,131</u> | <u>2,054,795</u> | <u>182,664</u> |
| Expenditures | | | | |
| Transfers to Danville Library, Inc. | | | | |
| Public library tax | 1,575,000 | 1,575,000 | 1,575,000 | - |
| KDLA grants | - | - | - | - |
| General operating expenses | <u>6,000</u> | <u>6,000</u> | <u>6,902</u> | <u>(902)</u> |
| Total Current Expenditures | 1,581,000 | 1,581,000 | 1,581,902 | (902) |
| Operating capital outlays | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>1,581,000</u> | <u>1,581,000</u> | <u>1,581,902</u> | <u>(902)</u> |
| Excess of revenues over expenditures | 291,131 | 291,131 | 472,893 | 181,762 |
| Other financing sources (uses) | | | | |
| Transfers (to) from other funds | <u>(348,425)</u> | <u>(348,425)</u> | <u>(97,000)</u> | <u>251,425</u> |
| Net change in fund balance | (57,294) | (57,294) | 375,893 | <u>\$ 433,187</u> |
| Fund balance - beginning | 2,435,257 | 2,435,257 | 2,435,257 | |
| Fund balance - ending | <u>\$ 2,377,963</u> | <u>\$ 2,377,963</u> | <u>\$ 2,811,150</u> | |

See Independent Auditor's Report.

DANVILLE LIBRARY, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Danville Library, Inc.

Opinion

We have audited the accompanying financial statements of Danville Library, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets- modified cash basis as of June 30, 2022, and the related statements of support, revenues, and expenses- modified cash basis and cash flows- modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Danville Library, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Danville Library, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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& COMPANY, PLLC
CPAs & Trusted Advisors

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Danville Library, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Danville Library, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Operating Fund Statement of Support, Revenue, and Expense- Cash Budgetary Basis on page 13, and the Reconciliation of Operating Fund Statement of Support, Revenues, and Expense- Cash Budgetary Basis to Statement of Support, Revenue, and Expense- Modified Cash Basis on page 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 22, 2022

Danville Library, Inc.
Statement of Assets, Liabilities, and Net Assets- Modified Cash Basis
June 30, 2022

Assets

Current Assets:

| | | |
|----------------------|----|---------|
| Cash, unrestricted | \$ | 234,696 |
| Cash, restricted | | 53,033 |
| Total Current Assets | | 287,729 |

Non-Current Assets:

| | | |
|---|--|-----------|
| Endowment investments | | 4,206,902 |
| Non-depreciable assets | | 1,911,205 |
| Depreciable assets, net of depreciation | | 174,689 |
| Total Non-Current Assets | | 6,292,796 |

| | | |
|--------------|----|-----------|
| Total Assets | \$ | 6,580,525 |
|--------------|----|-----------|

Liabilities and Net Assets

Net Assets

| | | |
|---------------------------------------|----|-----------|
| Net assets with donor restrictions | \$ | 53,033 |
| Net assets without donor restrictions | | |
| Invested in fixed assets | | 2,085,894 |
| Operating fund | | 154,196 |
| Endowment fund | | 4,206,902 |
| Board restricted- depreciation fund | | 80,500 |
| Total Net Assets | | 6,580,525 |

| | | |
|----------------------------------|----|-----------|
| Total Liabilities and Net Assets | \$ | 6,580,525 |
|----------------------------------|----|-----------|

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

Danville Library, Inc.
Statement of Support, Revenue, and Expense- Modified Cash Basis
For The Year Ended June 30, 2022

| | Net Assets without Donor Restrictions | | | Net Assets with Donor Restrictions | | Total All Funds |
|-------------------------------------|---------------------------------------|---------------------|-------------------|---|--------------------|---------------------|
| | Operating Fund | Endowment Fund | Depreciation Fund | Total Net Assets without Donor Restrictions | Memorial Gift Fund | |
| Revenues, Support & Other | | | | | | |
| Reclassifications: | | | | | | |
| Public library tax transfers | \$ 1,575,000 | \$ - | \$ - | \$ 1,575,000 | \$ - | \$ 1,575,000 |
| Grants | 20,188 | - | - | 20,188 | - | 20,188 |
| Contributions | 6,328 | 3,820 | - | 10,148 | 19,332 | 29,480 |
| Desk receipts | 14,907 | - | - | 14,907 | - | 14,907 |
| Interest income | 164 | - | - | 164 | - | 164 |
| Other income | 787 | - | - | 787 | - | 787 |
| Endowment Fund: | | | | | | |
| Earnings | - | 123,141 | - | 123,141 | - | 123,141 |
| Transfers | 100,101 | (101,469) | - | (1,368) | 1,368 | - |
| Net realized gain(loss) | - | 337,514 | - | 337,514 | - | 337,514 |
| Net unrealized gain(loss) | - | (837,202) | - | (837,202) | - | (837,202) |
| Total Revenues & Support | \$ 1,717,475 | \$ (474,196) | \$ - | \$ 1,243,279 | \$ 20,700 | \$ 1,263,979 |

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

Danville Library, Inc.
Statement of Support, Revenue, and Expense- Modified Cash Basis
For The Year Ended June 30, 2022

| | Net Assets without Donor Restrictions | | | Net Assets with Donor Restrictions | | Total All Funds |
|-----------------------------------|---------------------------------------|----------------|-------------------|---|--------------------|-----------------|
| | Operating Fund | Endowment Fund | Depreciation Fund | Total Net Assets without Donor Restrictions | Memorial Gift Fund | |
| Expenses: | | | | | | |
| Compensation | \$ 1,208,608 | \$ - | \$ - | \$ 1,208,608 | \$ - | \$ 1,208,608 |
| Library books & materials | 158,614 | - | - | 158,614 | 1,726 | 160,340 |
| Outreach expenses | 6,528 | - | - | 6,528 | - | 6,528 |
| Electronic access | 48,474 | - | - | 48,474 | - | 48,474 |
| Administrative expenses | 94,407 | 18,572 | - | 112,979 | - | 112,979 |
| Operating expenses | 160,149 | - | - | 160,149 | - | 160,149 |
| Transfer to Other Funds | - | - | - | - | - | - |
| Collection adjustment | 498,271 | - | - | 498,271 | - | 498,271 |
| Depreciation expense | 45,834 | - | - | 45,834 | - | 45,834 |
| Total Expenses | 2,220,885 | 18,572 | - | 2,239,457 | 1,726 | 2,241,183 |
| Increase (Decrease) in Net Assets | (503,410) | (492,768) | - | (996,178) | 18,974 | (977,204) |
| Net Assets- Beginning of Year | 2,743,500 | 4,699,670 | 80,500 | 7,523,670 | 34,059 | 7,557,729 |
| Net Assets- End of Year | \$ 2,240,090 | \$ 4,206,902 | \$ 80,500 | \$ 6,527,492 | \$ 53,033 | \$ 6,580,525 |

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

Danville Library, Inc.
Statement of Cash Flows- Modified Cash Basis
For The Year Ended June 30, 2022

| | | |
|---|----|-----------------------|
| Change in Net Assets | \$ | (977,204) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation expense | | 45,834 |
| Collection adjustment | | 498,271 |
| Net realized (gain)/loss | | (337,514) |
| Net unrealized (gain)/loss | | <u>837,202</u> |
| Net cash provided by operating activities | | <u>66,589</u> |
| Cash flows from investing activities | | |
| Purchase of fixed assets | | (12,603) |
| Contributions to endowment investments | | (3,820) |
| Reinvested earnings on endowment investments | | (123,141) |
| Investment expense paid by endowment investments | | <u>18,572</u> |
| Net cash (used) by investing activities | | <u>(120,992)</u> |
| Cash flows from financing activities | | |
| Transfers from endowment funds to other funds | | <u>101,469</u> |
| Net cash provided by financing activities | | <u>101,469</u> |
| Net change in cash | | 47,066 |
| Cash, cash equivalents and restricted cash at beginning of year | | <u>240,663</u> |
| Cash, cash equivalents and restricted cash at end of year | \$ | <u><u>287,729</u></u> |

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

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Danville Library, Inc. (the Library) is a not-for-profit corporation operated under Section 501 (c) (3) of the Internal Revenue Code. The Library was established in 1893 through private funding and has been operating with private and public funds since 1972. The public funds are primarily provided by the Boyle County Library Taxing District which collects property taxes from the local government.

Danville Library, Inc. provides access to materials and services to help users obtain information to meet their educational, personal, and professional needs. The Library services as a lifelong learning and general information center and as an access point for current resources of local, regional, and broader interests. The 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 Library is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restriction and net assets without donor restriction. Accordingly, net assets of the Library and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- Net Assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Accounting

The financial statements of the Library have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, revenues and the related assets are recorded when received rather than when the obligations are incurred. Modifications to the cash basis of accounting include recording investments at fair market value and carrying fixed assets at historical cost less accumulated depreciation.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

The Library's policy is to report investments in marketable securities, with readily determinable fair values and all investments in debt securities, at their fair values in the statement of assets, liabilities, and net assets- modified cash basis. Unrealized gains and losses are included in the statement of revenues, support, and expenses- modified cash basis.

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The Library annually adopts a budget in conjunction with the Boyle County Library Taxing District. The budget is presented on the cash budgetary basis of accounting, which is not consistent with the modified cash basis of accounting. Amendments to the budget must be made prior to the fact and approved by the majority of the Board of Trustees of both Danville Library, Inc. and Boyle County Library Taxing District.

Support and Revenue

The Library received its funding from a few main sources that are summarized in Note 6. The remaining funds are derived from private donations and client fees. The Library considers all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

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 financial statements. The Library defines capital assets as assets with an initial individual cost of more than \$1,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2022 was \$45,834.

Use of Estimates

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

Income Tax Status

The organization is recognized as a tax-exempt organization under code Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made. In addition, the Organization has been classified as an Organization that is not a private foundation under Section 509(a).

The Organization is not aware of any unrelated business income as of June 30, 2022. In Accounting Standards Codification (ASC) 740-10-50, Income Taxes, (formerly FIN 48, Accounting for Uncertainty in Income Taxes) the Financial Accounting Standards Board (FASB) requires entities to disclose known or anticipated positions of income tax uncertainty. The Organization is not aware of any uncertain tax positions that would require adjustment to the financial statements. The Organization files income tax returns in the U.S. federal jurisdiction. Generally, the Organization is no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2019.

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library'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 Library's categorization as of June 30, 2022 was as follows:

| | | |
|------------|----|---------|
| Category 1 | \$ | 250,000 |
| Category 2 | \$ | 66,048 |
| Category 3 | \$ | - |

NOTE 3 – CASH AND CASH EQUIVALENTS

The Library has cash which is restricted by either the board or the donor. Below is the summary of the cash on hand at June 30, 2022:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-----------------------|---------------------------------------|------------------------------------|-------------------|
| Cash Accounts: | | | |
| Checking Accounts | \$ 9,035 | \$ 53,033 | \$ 62,068 |
| Money Market Accounts | 225,661 | - | 225,661 |
| | <u>\$ 234,696</u> | <u>\$ 53,033</u> | <u>\$ 287,729</u> |

NOTE 4 – CAPITAL ASSETS

The Library has worked with Boyle County Library Taxing District over the years to jointly expand the current library building, purchase furniture, equipment, and supplies. Jointly owned fixed assets purchased 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.

The Library purchases various educational materials each year, some of which increase in value and some that depreciate. Rather than attempting to depreciate each unit, the Library values these materials based on a five-year rolling average. The average takes the costs of library materials over the most recent five-year period. During the year, the Library reviewed and evaluated the collection resulting in an decrease in the collection value of \$498,271.

A summary of the capital assets at June 30, 2022 is as follows:

| | <u>June 30, 2022</u> |
|--------------------------------|----------------------|
| Land | \$ 77,000 |
| Library collection | 1,834,205 |
| Buildings | 1,043,000 |
| Furniture and equipment | 520,485 |
| Bookmobile | 61,894 |
| Total at historical cost | <u>3,536,584</u> |
| Less: Accumulated Depreciation | <u>(1,450,690)</u> |
| Capital assets – net | <u>\$ 2,085,894</u> |

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 5 – INVESTMENTS

Investments held by the Library consisted of the following as of June 30, 2022:

| | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Appreciation</u> |
|---------------------------------------|---------------------|---------------------|------------------------------------|
| Mutual Funds | \$ 19,493 | \$ 20,603 | \$ 1,110 |
| Fixed Income Bonds | 1,226,574 | 1,148,770 | (77,804) |
| Stocks & Equities | 2,651,788 | 3,037,529 | 385,741 |
| Balance, June 30, 2022 | <u>\$ 3,897,855</u> | <u>\$ 4,206,902</u> | 309,047 |
| Balance, June 30, 2021 | <u>\$ 3,553,421</u> | <u>\$ 4,699,670</u> | 1,146,249 |
| Unrealized gain (loss) on investments | | | <u>\$ (837,202)</u> |

The Library has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Library has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable whether directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Library’s fair value of securities available for sale measured on a recurring basis at June 30, 2022 is as follows:

| | | <u>Fair Value Measurements at Reporting Date Using</u> | | |
|----------------------|---------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <u>June 30, 2022</u> | <u>Fair Value</u> | | | |
| Mutual funds | \$ 20,603 | \$ 20,603 | \$ - | \$ - |
| Fixed income bonds | 1,148,770 | 1,148,770 | - | - |
| Stocks and equities | 3,037,529 | 3,037,529 | - | - |
| | <u>\$ 4,206,902</u> | <u>\$ 4,206,902</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. There have been no changes in valuation techniques and related inputs.

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 6 – SUPPORT AND REVENUE

Major sources of support and revenues are as follows:

Local District Taxes- Budgeted amounts of taxes collected by the Boyle County Fiscal Court and remitted to the Boyle County Library Taxing District are transferred to the Library throughout the year.

State Financial Assistance- State Aid if provided by the Kentucky Department of Libraries and Archives and is recognized as received.

Endowment Funds- Income from Endowment Funds are used to finance the current operations of the Library.

Memorial Fund- Small donations are normally received from local residents. Donations, specifically restricted by the donor, are accounted for in the Memorial Fund. The Library records all restricted contributions whose restrictions have been met in the same reporting period as support without donor restrictions.

NOTE 7 – RETIREMENT PLAN

The Library’s employees are provided with the Teachers IAA/CREFF (TIAA/CREF) retirement plan.

General information about the Teacher IAA/CREFF retirement plan

Plan description—Employees who have worked for one year (full or part-time) may choose to participate in the defined contribution retirement plan. Participants have five percent of their gross wages withheld and the Library has a matching contribution.

Benefits provided—TIAA/CREFF provides retirement benefits to Plan employees and beneficiaries.

Contributions—Employees contribute five percent to the plan with the Library contributing an additional 7.65% of the gross wages.

During the year ending June 30, 2022, Library employees contributed \$67,115 in mandatory and elective contributions to the retirement plan. The Library contributed \$52,160 on behalf of its employees during the fiscal year ending June 30, 2022. Should employees choose not to accept this benefit, the employees will not be given any other benefit in lieu of retirement contributions. Employees may choose to have additional funds withheld from their paycheck and invested in the retirement plan, up to the amount allowable by law.

Schedule of Pension Contributions
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, and 2013

| Year | Contractually required employee contribution | Additional employee contribution | Contractually required employer contribution | Required total contribution | Percent of required contribution made |
|------|--|----------------------------------|--|-----------------------------|---------------------------------------|
| 2022 | 34,092 | 33,023 | 52,160 | 119,275 | 100% |
| 2021 | 29,666 | 37,440 | 45,463 | 112,569 | 100% |
| 2020 | 26,556 | 36,912 | 45,220 | 108,688 | 100% |
| 2019 | 32,267 | 37,352 | 49,368 | 118,987 | 100% |
| 2018 | 30,728 | 34,666 | 47,267 | 112,661 | 100% |
| 2017 | 30,587 | 29,583 | 46,797 | 106,967 | 100% |
| 2016 | 29,598 | 22,367 | 45,286 | 97,251 | 100% |
| 2015 | 26,800 | 19,322 | 41,005 | 87,127 | 100% |
| 2014 | 26,383 | 12,719 | 40,365 | 79,467 | 100% |
| 2013 | 28,236 | 28,601 | 43,200 | 100,037 | 100% |

Danville Library, Inc.
Notes to Financial Statements
June 30, 2022

NOTE 8 – NET ASSETS

The Library's net assets are classified based on availability of cash funds for current or restricted purposes. Net assets without donor restrictions are those amounts that are available for use without any imposed restriction. Net assets with donor restrictions are those amounts available, but with certain restrictions, such as contributions earmarked for a specific purpose or endowment funds with restrictions on the use of the investments

Net Assets without Donor Restrictions consist of the following funds:

- Operating Fund- The Library uses this fund to manage resources without donor restrictions available for support of operations.
- Equipment Replacement/Depreciation Fund - The Library established this fund to provide for maintenance and replacement of equipment and maintenance of the building.
- Endowment Fund - Donations from various gifts and bequests, whose original principal was subject to donor restrictions, are listed in the endowment fund. All restrictions have been met on endowment funds currently held and are listed as assets without donor restrictions. The Board will continue to use the income for operations but has designated the principal for future expansion. Therefore, they are accounted for separately.

Net Assets with Donor Restrictions consist of the following funds:

- Memorial Fund- The Library records donations with donor restrictions in the Memorial Gift Fund. As restrictions are met, funds are released. The end of the year balance reflects donations whose restrictions have not been met. This fund is listed as with donor restriction.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The Library provides one program, library services. The costs of providing this program and its activities have been summarized on a functional basis in the statement of Revenue, Support, and Expenses Operating fund Budget to Actual- Cash Budgetary Basis. Were there to be additional programs, a separate statement of functional expenses would be presented and accordingly, certain costs would be allocated among the programs and supporting service benefited.

NOTE 10 – CONTRACT AND CONCENTRATION WITH BOYLE COUNTY LIBRARY TAXING DISTRICT

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

The contract signed in June 2012 for a five-year term by both the Board of Trustee of Boyle County Library Taxing District and Board of Trustees of the Danville Library, Inc. was 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 in connection with the Library Taxing District finding a replacement could impact the Library in its ability to continue operations. Currently the main revenue of the Library is the funds it receives from the Library Taxing District under the contract.

NOTE 11 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through December 22, 2022, the date this report became available for issuance.

The contract with the Boyle Library Taxing District was extended subsequent to year-end.

Danville Library, Inc.
 Operating Fund Statement of Support, Revenues, and Expenses Budget to Actual- Cash Budgetary Basis
 For The Year Ended June 30, 2022

| | Original Budget | Revisions | Revised Budget | Actual | Favorable (Unfavorable) Balance |
|--|--------------------|-------------|--------------------|------------------|---------------------------------------|
| Revenues & other support | | | | | |
| Public library tax | \$ 1,575,000 | \$ - | \$ 1,575,000 | \$ 1,575,000 | \$ - |
| Grants and contributions | 20,544 | - | 20,544 | 26,516 | 5,972 |
| Desk receipts | 10,000 | - | 10,000 | 14,907 | 4,907 |
| Other revenues | - | - | - | 787 | 787 |
| Interest income | 190 | - | 190 | 164 | (26) |
| Transfers from endowment fund | 87,000 | - | 87,000 | 100,101 | 13,101 |
| Total revenue & other support | 1,692,734 | - | 1,692,734 | 1,717,475 | 24,741 |
| Expenditures | | | | | |
| Compensation | | | | | |
| Salaries & wages | 931,038 | - | 931,038 | 904,865 | 26,173 |
| Payroll taxes | 79,564 | - | 79,564 | 71,196 | 8,368 |
| Retirement | 58,391 | - | 58,391 | 52,217 | 6,174 |
| Benefit expense | 210,200 | - | 210,200 | 180,330 | 29,870 |
| Other payroll expenses | - | - | - | - | - |
| Total Compensation | 1,279,193 | - | 1,279,193 | 1,208,608 | 70,585 |
| Library books & materials | 159,486 | - | 159,486 | 158,614 | 872 |
| Outreach | 8,200 | - | 8,200 | 6,528 | 1,672 |
| Electronic access | 72,500 | - | 72,500 | 48,474 | 24,026 |
| Administrative expenses | | | | | |
| Professional fees | 6,860 | - | 6,860 | 6,860 | - |
| Office supplies | 7,500 | - | 7,500 | 7,705 | (205) |
| Programming supplies | 42,858 | - | 42,858 | 42,079 | 779 |
| Processing supplies | 10,000 | - | 10,000 | 16,046 | (6,046) |
| Postage | 3,000 | - | 3,000 | 3,450 | (450) |
| Staff development | 9,000 | - | 9,000 | 7,502 | 1,498 |
| Advertising & public relations | 9,200 | - | 9,200 | 8,263 | 937 |
| Other expenses | 5,200 | - | 5,200 | 2,502 | 2,698 |
| Total Administrative expenses | 93,618 | - | 93,618 | 94,407 | (789) |
| Operating expenses | | | | | |
| Building repairs & maintenance | 12,000 | - | 12,000 | 13,494 | (1,494) |
| Building & maintenance supplies | 10,400 | - | 10,400 | 12,159 | (1,759) |
| Service contracts | 9,250 | - | 9,250 | 18,875 | (9,625) |
| Utilities & telephone | 45,220 | - | 45,220 | 50,938 | (5,718) |
| Insurance | 13,500 | - | 13,500 | 14,419 | (919) |
| Equipment & furnishings | 50,000 | - | 50,000 | 62,867 | (12,867) |
| Total Operating expenses | 140,370 | - | 140,370 | 172,752 | (32,382) |
| Total Expenditures | 1,753,367 | - | 1,753,367 | 1,689,383 | 63,984 |
| Net change in fund balance | \$ (60,633) | \$ - | \$ (60,633) | \$ 28,092 | |

See Independent Auditor's Report.

Danville Library, Inc.
**Reconciliation of the Operating Fund Statement of Support, Revenues, and Expenses Budget to Actual-
Cash Budgetary Basis to the Statement of Support, Revenues, and Expenses- Modified Cash Basis**
For The Year Ended June 30, 2022

Reconciliation to the Statement of Support, Revenues, and Expenses

| | | |
|---|----|--------|
| Net Change in Fund Balance - Budgetary Cash Basis | \$ | 28,092 |
|---|----|--------|

The budgetary cash report capital outlays as expenditures; however, in the Statement of Support, Revenues, and Expenses- Modified Cash Basis the cost of those assets are allocated over their useful lives and reported as as depreciation expenses.

| | | |
|-------------------------------|--|-----------|
| Capital Outlay | | 12,603 |
| Collection Adjustment Expense | | (498,271) |
| Depreciation Expense | | (45,834) |
| | | (45,834) |

| | | |
|--|----|------------------|
| Change in Unrestricted Net Assets in Statement of Support, Revenues, and Expenses- Modified Cash Basis | \$ | <u>(503,410)</u> |
|--|----|------------------|

See Independent Auditor's Report.