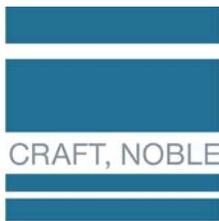


BOYLE COUNTY LIBRARY TAXING DISTRICT
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017



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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, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Boyle County Library Taxing District, as of June 30, 2017, 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.



Emphasis of Matter

As discussed in Note 11 to the financial statements, there was a correction in the beginning balances due to a prior period misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 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
November 27, 2017

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, 2017. 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 increased by \$47,152*
- II. The Taxing District's share of the property tax increased 6% from the previous fiscal year.*
- III. The Taxing District continues to spend on improved equipment and improved services.*

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

Over the past years, the primary focus of local government financial statements has been summarized fund-type information on a current financial resource basis. This approach has been modified and now the Taxing District's financial statements present two kinds of statements, each with a different snapshot of the Taxing District's finances. The new focus is both the Taxing District as a whole (government-wide) and the fund 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.

Fund Financial Statements (Continued)

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, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 8,481,573	\$ 8,814,395	\$ (332,822)
Other assets	1,151,246	771,272	379,974
Long-term liabilities	3,670,000	3,940,000	(270,000)
Current liabilities	270,000	225,880	44,120
Invested in fixed assets	4,541,573	4,900,183	(358,610)
Temporarily restricted	96,595	47,188	49,407
Unrestricted net position	1,054,651	472,416	582,235

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 77% of total expenditures

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Variance</u>
Public Library Tax			
Boyle County Sheriff	\$ 1,604,222	\$ 1,403,442	\$ 200,780
Boyle County Clerk	79,720	69,028	10,692
Kentucky Revenue Department	31,285	41,288	(10,003)
Investment earnings	937	728	209
Operating grants and contributions	18,356	20,640	(2,284)
Capital grants and contributions	105,000	105,000	-
Total revenues	<u>1,839,520</u>	<u>1,640,126</u>	<u>199,394</u>
Transfers to Danville Library, Inc.			
Public library tax	1,100,000	1,100,000	-
KDLA grants	18,356	20,171	(1,815)
General operating expenses	22,678	8,304	14,374
Debt service interest	83,359	177,898	(94,539)
Depreciation expense	332,822	382,874	(50,052)
Total expenditures	<u>1,557,215</u>	<u>1,689,247</u>	<u>(132,032)</u>
Change in fund balance	<u>\$ 282,305</u>	<u>\$ (49,121)</u>	<u>\$ 331,426</u>

Capital Asset Activity

The Taxing District saw increased demand for the services it offers. While physical expansion of the property was completed three years ago, the 44,000 square foot library building has seen continual and heavy use for nearly eight years. Staff has begun more in-depth maintenance and upgrading procedures on various building systems, including HVAC, the elevator, desktop computers (systematic replacement of 100 units), and internal wi-fi hardware. 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 2016-2017

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 1,531,061	\$ 1,734,476	\$ 203,415
Transfers to Danville Library, Inc			
Public library tax	1,100,000	1,100,000	-
KDLA grants	18,000	18,356	(356)
General operating expenses	12,500	4,628	7,872
Capital outlay	-	-	-
Transfers to other funds	275,000	275,000	-
Total Income (Loss)	<u>\$ 125,561</u>	<u>\$ 336,492</u>	<u>\$ 210,931</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, 2017

Assets

Current Assets:

Cash, unrestricted	\$ 1,046,612
Cash, restricted	96,551
Accounts receivable	8,083
Total Current Assets	1,151,246

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	(2,834,124)
Total Non-Current Assets	8,481,573

Total Assets	\$ 9,632,819
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Liabilities and Net Position

Liabilities:

Current Liabilities:

Current portion of bond obligations	\$ 270,000
Total Current Liabilities	270,000

Long-Term Obligations:

Non-Current portion of bond obligations	3,670,000
Total Long-Term Obligations	3,670,000

Total Liabilities	3,940,000
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Net Position

Invested in fixed assets	4,541,573
Temporarily restricted	
Reserved for debt service	96,595
Unrestricted	1,054,651
Total Net Position	5,692,819

Total Liabilities and Net Position	\$ 9,632,819
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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, 2017

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
Primary government				
Governmental activities				
General government	\$ (1,473,856)	18,356	105,000	\$ (1,350,500)
Debt Service	\$ (83,359)	-	-	\$ (83,359)
Total Governmental Activities	\$ (1,557,215)	\$ 18,356	\$ 105,000	\$ (1,433,859)
General Revenues:				
Public Library Tax:				
Boyle County Sheriff				1,604,222
Boyle County Clerk				79,720
Kentucky Revenue Department				31,285
Investment earnings				937
Total general revenues				1,716,164
Change in net position				282,305
Net position - beginning				5,410,514
Net position - ending				\$ 5,692,819

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, 2017

	General Fund	Special Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash, unrestricted	\$ 1,046,612	\$ -	\$ -	\$ 1,046,612
Cash, restricted	-	-	96,551	96,551
Accounts receivable	8,083	-	-	8,083
Total Assets	\$ 1,054,695	\$ -	\$ 96,551	\$ 1,151,246
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balances				
Assigned for:				
Expansion	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	96,551	96,551
Unassigned	1,054,695	-	-	1,054,695
Total Fund Balances	\$ 1,054,695	\$ -	\$ -	\$ 1,151,246

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	\$ 8,481,573
Certain liabilities (including bonds payable) are not due and payable in the current period and therefore, not reported in the fund	(3,940,000)
Net position of governmental activities	\$ 5,692,819

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
For The Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Public library tax:				
Boyle County Sheriff	\$ 1,604,222	\$ -	\$ -	\$ 1,604,222
Boyle County Clerk	79,720	-	-	79,720
Kentucky Revenue Department	31,285	-	-	31,285
Commonwealth of KY- KDLA Grants	18,356	-	-	18,356
Commonwealth of KY- PLFC Grant	-	-	105,000	105,000
Interest	893	-	44	937
Other revenues	-	-	-	-
	<u>1,734,476</u>	<u>-</u>	<u>105,044</u>	<u>1,839,520</u>
Total Revenue				
Expenditures				
Current				
Transfers to Danville Library, Inc.				
Public library tax	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000
KDLA grants	18,356	-	-	18,356
General operating expenses	4,628	18,050	-	22,678
Debt service principal	-	-	220,000	220,000
Debt service interest expense	-	-	83,359	83,359
	<u>1,122,984</u>	<u>18,050</u>	<u>303,359</u>	<u>1,444,393</u>
Total Current Expenditures				
Operating capital outlays	-	-	-	-
	<u>1,122,984</u>	<u>18,050</u>	<u>303,359</u>	<u>1,444,393</u>
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	\$ 611,492	\$ (18,050)	\$ (198,315)	\$ 395,127
Other Financing Sources (Uses)				
Transfers (to)/from other funds	<u>(275,000)</u>	<u>-</u>	<u>275,000</u>	<u>-</u>
Total Other Financing Sources (Uses)				
	<u>(275,000)</u>	<u>-</u>	<u>275,000</u>	<u>-</u>
Net change in fund balance				
	336,492	(18,050)	76,685	395,127
Fund balance - beginning	718,203	18,050	19,866	756,119
Fund balance - ending	<u>\$ 1,054,695</u>	<u>\$ -</u>	<u>\$ 96,551</u>	<u>\$ 1,151,246</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 to the Statement of Activities
 For The Year Ended June 30, 2017

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	395,127
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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.

Capital Outlay		-
Depreciation Expense		(332,822)

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.

		220,000
Change in Net Position of Governmental Activities	\$	282,305

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

Boyle County Library Taxing District
Statement of Revenues, Expenditures and Changes in General Fund Balance
Budget and Actual
For The Year Ended June 30, 2017

Revenues	Original Budget	Revised Budget	Actual	Favorable (Unfavorable) Balance
Public library tax	\$ 1,512,361	\$ 1,512,361	\$ 1,715,227	\$ 202,866
KDLA Grants	18,000	18,000	18,356	356
Investment income	700	700	893	193
Donations & other revenues	-	-	-	-
Total Revenue	<u>1,531,061</u>	<u>1,531,061</u>	<u>1,734,476</u>	<u>203,415</u>
Expenditures				
Transfers to Danville Library, Inc.				
Public library tax	1,100,000	1,100,000	1,100,000	-
KDLA grants	18,000	18,000	18,356	(356)
General operating expenses	12,500	12,500	4,628	7,872
Total Current Expenditures	<u>1,130,500</u>	<u>1,130,500</u>	<u>1,122,984</u>	<u>7,516</u>
Operating capital outlays	-	-	-	-
Total Expenditures	<u>1,130,500</u>	<u>1,130,500</u>	<u>1,122,984</u>	<u>7,516</u>
Excess of revenues over expenditures	400,561	400,561	611,492	<u>195,899</u>
Other financing sources (uses)				
Transfers (to) from other funds	<u>(275,000)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u>-</u>
Net change in fund balance	125,561	125,561	336,492	
Fund balance - beginning			<u>718,203</u>	
Fund balance - ending			<u>\$ 1,054,695</u>	

See Independent Auditor's Report.

BOYLE COUNTY LIBRARY TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017 was \$332,822.

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

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, 2017, fund balances are comprised of the following:

		<u>General Fund</u>
Assigned- Debt Service	\$	96,551
Unassigned	\$	1,054,695

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, 2017 was as follows:

Category 1	\$	250,000
Category 2	\$	893,163
Category 3	\$	-

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

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, 2017.

	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash Accounts:			
Checking Accounts	\$ 5,323	\$ -	\$ 5,323
Money Market Accounts	1,041,289	96,551	1,137,840
	<u>\$ 1,046,612</u>	<u>\$ 96,551</u>	<u>\$ 1,143,163</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, 2017 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>June 30, 2017</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>11,315,697</u>
Less: Accumulated Depreciation			
Building and improvements	1,748,628	260,975	2,009,603
Furniture and equipment	726,363	69,324	795,687
Electronics	25,996	2,523	28,519
Vehicle	315	-	315
Total accumulated depreciation	<u>2,501,302</u>	<u>332,822</u>	<u>2,834,124</u>
Capital assets – net	<u>\$ 8,814,395</u>	<u>\$ (332,822)</u>	<u>\$ 8,481,573</u>

BOYLE COUNTY LIBRARY TAXING DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

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 \$3,940,000 are summarized as follows:

	Principal	Interest	Total
June 2018	\$ 270,000	\$ 41,663	\$ 311,663
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 2023-2027	1,430,000	217,125	1,647,125
June 2028-2032	1,120,000	83,762	1,203,762
Total	\$ 3,940,000	\$ 621,350	\$ 4,561,350

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	Series 2016 Bonds
Payable at June 30, 2016	\$ 4,160,000
Debt retired during the year	(220,000)
Payable at June 30, 2017	\$ 3,940,000

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 signed in June 2012 by both the Board of Trustee of Danville Library, Inc. and Board of Trustees of the Boyle County Library Taxing District will be in effect until June 30, 2017.

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, 2017

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, 2017, the eleventh \$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 2017 were levied on October 1, 2016 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:

Description	Date Per K.R.S. 134.020
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 – RESTATEMENT OF BEGINNING NET POSITION

In March 2012 the Governmental Accounting Standards Board issued GASB 65 Items Previously Reported as Assets and Liabilities with an effective date of periods beginning after December 15, 2012 with retroactive application. As a result, the Tax District’s beginning net position will be adjusted by the amount of the bond issue costs which remained as of July 1, 2016.

Ending Net Position per 2016 Audit Statement of Activities	\$ 5,665,575
Adjustments due to correction of error	255,061
Restated beginning Net Position on Statement of Activities	\$ 5,410,514

NOTE 12 – SUBSEQUENT EVENTS

Management of the Taxing District has considered subsequent events through November 27, 2017, 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, 2017, 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 November 27, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2017-1).

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
November 27, 2017

BOYLE COUNTY LIBRARY TAXING DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS- FINANCIAL STATEMENT AUDIT

2017-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

At present the Taxing District does not have an individual with the required expertise for financial accounts and reporting necessary to successfully apply generally accepted accounting principles in regard to recording the entity's financial transactions and in drafting the financial statements and related disclosures.

Effect:

The Taxing District did not have effective procedures in place to ensure that all accruals and adjustments that are needed have been appropriately recorded. Additionally, the Taxing District's staff or contracted personnel did not collectively possess a full working knowledge of generally accepted accounting principles.

Organization Response and Corrective Action Plan:

The Boyle County Taxing District has an ongoing contract with a certified public accounting firm qualified to manage its financial records. Monthly financial statements are carefully prepared and the Boyle County Taxing District board maintains constant financial oversight. The board believes the restatement of the bond issuance costs is an isolated error and does not warrant the internal control finding. Additionally, the board feels that the contracted certified public accounting firm is able to prepare the annual financial statements and footnotes but that it is cost prohibitive to have them perform this task. The board will continue to monitor this matter during fiscal year 2018 to determine what further action may be required.

We did not audit the Taxing District's response and, accordingly, we express no opinion on it.