

BOYLE COUNTY LIBRARY TAXING DISTRICT
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2021



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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, 2021, and the related notes to the financial statements, which collectively comprise the Taxing District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Boyle County Library Taxing District, as of June 30, 2021, 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.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021 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
November 23, 2021

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, 2021. 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 \$274,451.*
- II. *The Taxing District's share of the property tax increased by 7.40% 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 Library. 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 Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, 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 Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library'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 Library'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 Library and the changes in them. One can think of the Library'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 Library'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 Library's funds. The fund financial statements provide more information about the Library's funds and current year detail operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. 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, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 7,452,389	\$ 7,707,974	\$ (255,585)
Other assets	2,585,852	2,055,816	530,036
Long-term liabilities	2,550,000	2,840,000	(290,000)
Current liabilities	290,000	285,000	5,000
Invested in fixed assets	4,612,389	4,582,974	29,415
Temporarily restricted	150,595	73,068	77,527
Unrestricted net position	2,435,257	1,982,748	452,509

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Public Library Tax			
Boyle County Sheriff	\$ 1,906,387	\$ 1,795,229	\$ 111,158
Boyle County Clerk	87,444	74,782	12,662
Kentucky Revenue Department	52,369	35,159	17,210
Investment earnings	1,842	3,330	(1,488)
Other revenues	17	-	17
Operating grants and contributions	-	18,107	(18,107)
Capital grants and contributions	105,000	105,000	-
Total revenues	<u>2,153,059</u>	<u>2,031,607</u>	<u>121,452</u>
Transfers to Danville Library, Inc.			
Public library tax	1,270,000	1,350,000	(80,000)
KDLA grants	-	18,107	(18,107)
General operating expenses	5,490	5,170	320
Debt service interest	62,534	69,815	(7,281)
Depreciation expense	255,585	256,207	(622)
Total expenditures	<u>1,593,609</u>	<u>1,699,299</u>	<u>(105,690)</u>
Change in fund balance	<u>\$ 559,450</u>	<u>\$ 332,308</u>	<u>\$ 227,142</u>

The Taxing District's main source of revenue is property tax, which is approximately 95% of the Taxing District's total revenue-- slightly higher than the state average of 93.10%. Other income sources included donations, state aid, and fines and fees. Transfers to Danville Library, Inc. represent 80% of total expenditures

Capital Asset Activity

Fiscal Year 2021 began in the midst of the Coronavirus pandemic. The budget for FY2021 was conservative, reflective of the uncertainty of possible pandemic impacts, while also recognizing a probable increase in the need for specific library services in the community, particularly digital services. Staff remained fully employed during the entire fiscal year, even with building capacity restrictions in place. The Library had the right balance of public service staff to support staff, so that a sufficient number of people could work remotely to meet staffing limitations. All staff members were assigned to teams, each team tasked with managing a different aspect of providing library services under the ever-changing health and safety guidelines. While in-person visits to the library reduced by half as compared to pre-Covid years, usage of the downloadable, digital, and online library services increased dramatically. Staff members from all departments were able to use the redistributed work time to complete projects that previously had been placed on hold or that required extended blocks of time not always easily available. This resulted in an increase in digitized local history materials, in extensive collection development and weeding, in the presentation of the most successful Summer Reading program to date, and in the advanced planning of some infrastructure upgrades regarding the library automation system. The physical space updates, anticipated during FY2020, were placed on hold while the longer-term pandemic impacts on the public usage of our services and facilities continued to play out. During the course of the year, the Library resumed programs and services as health guidelines and mandates permitted. The Library ended

Capital Asset Activity (continued)

the fiscal year in a strong financial position, as many of the feared delays or reductions in tax revenue did not occur. The Library restarted some physical space upgrades with a major project of carpet replacement throughout the building. This process will continue through the coming fiscal year. Budgeting for fiscal year 2022 included increases in both staffing and equipment for service needs that became evident during the pandemic. Demand for Outreach services, for more intensive youth services, and for technical support services increased and budget increases reflect those needs. As fiscal year 2021 closed, the Library board began planning for a preliminary review of the library mission and goals in anticipation of creating a new strategic plan by the end of fiscal year 2022.

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 2020-2021

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 1,781,524	\$ 2,047,999	\$ 266,475
Transfers to Danville Library, Inc			
Public library tax	1,270,000	1,270,000	-
KDLA grants	-	-	-
General operating expenses	6,000	5,490	510
Capital outlay	-	-	-
Transfers to other funds	320,000	320,000	-
Total Income (Loss)	<u>\$ 185,524</u>	<u>\$ 452,509</u>	<u>\$ 266,985</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 2021 requires some flexibility as the coronavirus pandemic continues to disrupt all aspects of library services and operations. In consultation with the local property value administrative office, the District is monitoring local economic activity and indications of delays or decreases in otherwise normal tax revenue and collections. Accordingly, the District will streamline the budget for the coming year. The Library District is in the positive position of having roughly four to five months of operating revenue as a reserve. This reserve, along with a streamlined budget, should provide adequate time and funding to weather any delays in the receipt of new revenue. Close monitoring of the local economy should also provide advance notice if additional steps toward budget reductions will be necessary. The long-anticipated space and needs assessment will resume during the coming fiscal year, taking into account the realities of the longer-term pandemic disruptions and likely emergence of new community needs and priorities.

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, 2021

Assets	
Cash, unrestricted	\$ 2,395,290
Cash, restricted	150,595
Accounts receivable	39,967
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>(3,863,308)</u>
Total Fixed Assets	<u>7,452,389</u>
Total Assets	<u><u>\$ 10,038,241</u></u>
Liabilities:	
Long-Term Obligations:	
Current portion of bond obligations	\$ 290,000
Non-Current portion of bond obligations	<u>2,550,000</u>
Total Liabilities	<u>2,840,000</u>
Net Position	
Invested in fixed assets	4,612,389
Temporarily restricted	
Reserved for debt service	150,595
Unrestricted	<u>2,435,257</u>
Total Net Position	<u>7,198,241</u>
Total Liabilities and Net Position	<u><u>\$ 10,038,241</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, 2021

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government				
Governmental activities				
General government	\$ 1,531,075	-	105,000	\$ (1,426,075)
Debt Service	<u>62,534</u>	<u>-</u>	<u>-</u>	<u>(62,534)</u>
Total Governmental Activities	<u>\$ 1,593,609</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ (1,488,609)</u>
General Revenues:				
Public Library Tax				1,906,387
Boyle County Sheriff				87,444
Boyle County Clerk				52,369
Kentucky Revenue Department				1,842
Investment earnings				17
Other income				<u>2,048,059</u>
Total general revenues				559,450
Change in net position				6,638,791
Net position - beginning				<u>\$ 7,198,241</u>
Net position - ending				<u><u>7,198,241</u></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, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
Assets			
Cash, unrestricted	\$ 2,395,290	\$ -	\$ 2,395,290
Cash, restricted	-	150,595	150,595
Accounts receivable	39,967	-	39,967
Total Assets	\$ 2,435,257	\$ 150,595	\$ 2,585,852
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balances			
Assigned for:			
Debt service	\$ -	\$ 150,595	\$ 150,595
Unassigned	2,435,257	-	2,435,257
Total Fund Balances	\$ 2,435,257	\$ 150,595	\$ 2,585,852

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	\$ 7,452,389
Certain liabilities (including bonds payable) are not due and payable in the current period and therefore, not reported in the fund	(2,840,000)
Net position of governmental activities	\$ 7,198,241

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, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Public library tax			
Boyle County Sheriff	\$ 1,906,387	\$ -	\$ 1,906,387
Boyle County Clerk	87,444	-	87,444
Kentucky Revenue Department	52,369	-	52,369
Commonwealth of KY- PLFC Grant	-	105,000	105,000
Interest	1,782	60	1,842
Other revenues	17	-	17
	<u>2,047,999</u>	<u>105,060</u>	<u>2,153,059</u>
Expenditures			
Current			
Transfers to Danville Library, Inc.			
Public library tax	\$ 1,270,000	\$ -	\$ 1,270,000
General operating expenses	5,490	-	5,490
Debt service principal	-	285,000	285,000
Debt service interest expense	-	62,534	62,534
	<u>1,275,490</u>	<u>347,534</u>	<u>1,623,024</u>
Total Current Expenditures	1,275,490	347,534	1,623,024
Operating capital outlays	-	-	-
	<u>1,275,490</u>	<u>347,534</u>	<u>1,623,024</u>
Total Expenditures	1,275,490	347,534	1,623,024
Excess (deficiency) of revenues over (under) expenditures	\$ 772,509	\$ (242,474)	\$ 530,035
Other Financing Sources (Uses)			
Transfers (to)/from other funds	(320,000)	320,000	-
	<u>(320,000)</u>	<u>320,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	(320,000)	320,000	-
Net change in fund balance	452,509	77,526	530,035
Fund balance - beginning	1,982,748	73,069	2,055,817
Fund balance - ending	<u>\$ 2,435,257</u>	<u>\$ 150,595</u>	<u>\$ 2,585,852</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, 2021

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$ 530,035
Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.	
Depreciation Expense	(255,585)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>285,000</u>
Change in Net Position of Governmental Activities	<u>\$ 559,450</u>

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

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2021

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, 2021

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, 2021 was \$255,585.

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2021

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, 2021, fund balances are comprised of the following:

	<u>General Fund</u>
Assigned- Debt Service	\$ 150,595
Unassigned	\$ 2,435,257

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, 2021 was as follows:

Category 1	\$ 250,000
Category 2	\$ 2,294,398
Category 3	\$ -

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2021

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, 2021.

	Unrestricted Funds	Temporarily Restricted Funds	Total
Cash Accounts:			
Checking Accounts	\$ 17,105	\$ -	\$ 17,105
Money Market Accounts	2,378,185	150,595	2,528,780
	<u>\$ 2,395,290</u>	<u>\$ 150,595</u>	<u>\$ 2,545,885</u>

NOTE 4 – 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, 2021 was as follows:

Governmental Activities	June 30, 2020	Additions	Disposals	June 30, 2021
Land	\$ 1,524,573	\$ -	\$ -	\$ 1,524,573
Building and improvements	8,927,246	-	-	8,927,246
Furniture and equipment	812,652	-	-	812,652
Electronics	25,996	-	-	25,996
Vehicle	25,230	-	-	25,230
Total at historical cost	<u>11,315,697</u>	<u>-</u>	<u>-</u>	<u>11,315,697</u>
Less: Accumulated Depreciation				
Building and improvements	2,767,563	253,062	-	3,020,625
Furniture and equipment	803,757	-	-	803,757
Electronics	25,996	-	-	25,996
Vehicle	10,407	2,523	-	12,930
Total accumulated depreciation	<u>3,607,723</u>	<u>255,585</u>	<u>-</u>	<u>3,863,308</u>
Capital assets – net	<u>\$ 7,707,974</u>	<u>\$ (255,585)</u>	<u>\$ -</u>	<u>\$ 7,452,389</u>

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2021

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 \$2,840,000 are summarized as follows:

	Principal	Interest	Total
June 2022	\$ 290,000	\$ 61,325	\$ 351,325
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 - 2030	1,175,000	134,712	1,309,712
June 2031 - 2032	465,000	17,500	482,500
Total	\$ 2,840,000	\$ 362,212	\$ 3,202,212

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	Series 2016 Bonds
Payable at June 30, 2020	\$ 3,125,000
Debt retired during the year	(285,000)
Payable at June 30, 2021	\$ 2,840,000

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

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

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

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

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

Boyle County Library Taxing District
Notes to Financial Statements
June 30, 2021

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, 2021, the fifteenth \$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 2021 were levied on October 1, 2020 on the assessed property located in Boyle County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

NOTE 11 – CORONAVIRUS (COVID-19) IMPACT

The global coronavirus (COVID-19) pandemic continues to impact the Library. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 may impact the Library will depend on future developments and government regulations, which are highly uncertain and cannot be predicted. As a result, the Organization has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.

NOTE 12 – SUBSEQUENT EVENTS

Management of the Taxing District has considered subsequent events through November 23, 2021, 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*

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, 2021, 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 23, 2021.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyle County Library Taxing District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boyle County Library Taxing District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boyle County Library Taxing District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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
November 23, 2021

Boyle County Library Taxing District
Statement of Revenues, Expenditures and Changes in General Fund Balance
Budget and Actual
For The Year Ended June 30, 2021

Revenues	Original Budget	Revised Budget	Actual	Favorable (Unfavorable) Balance
Public library tax	\$ 1,778,324	\$ 1,778,324	\$ 2,046,200	\$ 267,876
KDLA Grants	-	-	-	-
Investment income	3,200	3,200	1,782	(1,418)
Donations & other revenues	-	-	17	17
Total Revenue	1,781,524	1,781,524	2,047,999	266,475
Expenditures				
Transfers to Danville Library, Inc.				
Public library tax	1,270,000	1,270,000	1,270,000	-
KDLA grants	-	-	-	-
General operating expenses	6,000	6,000	5,490	510
Total Current Expenditures	1,276,000	1,276,000	1,275,490	510
Operating capital outlays	-	-	-	-
Total Expenditures	1,276,000	1,276,000	1,275,490	510
Excess of revenues over expenditures	505,524	505,524	772,509	266,985
Other financing sources (uses)				
Transfers (to) from other funds	(320,000)	(320,000)	(320,000)	-
Net change in fund balance	185,524	185,524	452,509	\$ 266,985
Fund balance - beginning	1,982,748	1,982,748	1,982,748	
Fund balance - ending	\$ 2,168,272	\$ 2,168,272	\$ 2,435,257	

See Independent Auditor's Report.

DANVILLE LIBRARY, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2021



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, and the related statements of support, revenue, and expenses- modified cash basis and cash flows-modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Danville Library, Inc., as of June 30, 2021, and its support, revenue, and expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting.

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.



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

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 14, 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 15 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
November 19, 2021

Danville Library, Inc.
Statement of Assets, Liabilities, and Net Assets- Modified Cash Basis
June 30, 2021

Assets

Current Assets:

Cash, unrestricted	\$	206,604
Cash, restricted		34,059
Total Current Assets		<u>240,663</u>

Non-Current Assets:

Endowment investments		4,699,670
Non-depreciable assets		2,409,476
Depreciable assets, net of depreciation		207,920
Total Non-Current Assets		<u>7,317,066</u>

Total Assets	\$	<u>7,557,729</u>
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Liabilities and Net Assets

Net Assets

Net assets with donor restrictions	\$	34,059
Net assets without donor restrictions		
Invested in fixed assets		2,617,396
Operating fund		126,104
Endowment fund		4,699,670
Board restricted- depreciation fund		80,500
Total Net Assets		<u>7,557,729</u>

Total Liabilities and Net Assets	\$	<u>7,557,729</u>
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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, 2021

	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	\$ 1,270,000	\$ -	\$ -	\$ 1,270,000	\$ -	\$ 1,270,000
Grants	3,500	-	-	3,500	-	3,500
Contributions	3,200	3,302	-	6,502	10,486	16,988
Desk receipts	11,774	-	-	11,774	-	11,774
Interest income	231	-	-	231	-	231
Other income	153	-	-	153	-	153
Endowment Fund:						
Earnings	-	105,783	-	105,783	-	105,783
Transfers	97,103	(98,539)	-	(1,236)	1,236	-
Net realized gain(loss)	-	570,313	-	570,313	-	570,313
Net unrealized gain(loss)	-	315,253	-	315,253	-	315,253
Total Revenues & Support	\$ 1,385,961	\$ 896,312	\$ -	\$ 2,282,273	\$ 11,722	\$ 2,293,995

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, 2021

	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	\$ 1,096,714	\$ -	\$ -	\$ 1,096,714	\$ -	\$ 1,096,714
Library books & materials	134,944	-	-	134,944	5,456	140,400
Outreach expenses	4,362	-	-	4,362	-	4,362
Electronic access	48,677	-	-	48,677	-	48,677
Administrative expenses	60,373	15,761	-	76,134	-	76,134
Operating expenses	91,233	-	-	91,233	-	91,233
Transfer to Other Funds	-	-	-	-	-	-
Collection adjustment	(12,928)	-	-	(12,928)	-	(12,928)
Depreciation expense	52,267	-	-	52,267	-	52,267
Total Expenses	1,475,642	15,761	-	1,491,403	5,456	1,496,859
Increase (Decrease) in Net Assets	(89,681)	880,551	-	790,870	6,266	797,136
Net Assets- Beginning of Year	2,833,181	3,819,119	80,500	6,732,800	27,793	6,760,593
Net Assets- End of Year	\$ 2,743,500	\$ 4,699,670	\$ 80,500	\$ 7,523,670	\$ 34,059	\$ 7,557,729

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, 2021

Change in Net Assets	\$	797,136
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense		52,267
Collection adjustment		(12,928)
Net realized (gain)/loss		(570,313)
Net unrealized (gain)/loss		<u>(315,253)</u>
Net cash (used) by operating activities		<u>(49,091)</u>
Cash flows from investing activities		
Purchase of fixed assets		(15,908)
Contributions to restricted investments		(3,302)
Reinvested earnings on restricted investments		(105,783)
Investment expense paid by restricted investments		<u>15,761</u>
Net cash (used) by investing activities		<u>(109,232)</u>
Cash flows from financing activities		
Transfers from endowment funds to other funds		<u>98,339</u>
Net cash provided by financing activities		<u>98,339</u>
Net change in cash		(59,984)
Cash, cash equivalents and restricted cash at beginning of year		<u>300,647</u>
Cash, cash equivalents and restricted cash at end of year	\$	<u><u>240,663</u></u>

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

Danville Library, Inc.
Notes to Financial Statements
June 30, 2021

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, 2021

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 temporarily restricted support which increase that net asset class.

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, 2021 was \$52,267.

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, 2021. 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 2018.

Danville Library, Inc.
Notes to Financial Statements
June 30, 2021

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, 2021 was as follows:

Category 1	\$	250,000
Category 2	\$	27,731
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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Cash Accounts:			
Checking Accounts	\$ 10,707	\$ 34,059	\$ 44,766
Money Market Accounts	195,897	-	195,897
	\$ 206,604	\$ 34,059	\$ 240,663

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 increase in the collection value of \$12,928.

A summary of the capital assets at June 30, 2021 is as follows:

	June 30, 2021
Land	\$ 77,000
Library collection	2,332,476
Buildings	1,043,000
Furniture and equipment	507,881
Bookmobile	61,894
Total at historical cost	4,022,251
Less: Accumulated Depreciation	(1,404,855)
Capital assets – net	\$ 2,617,396

Danville Library, Inc.
Notes to Financial Statements
June 30, 2021

NOTE 5 – INVESTMENTS

Investments held by the Library consisted of the following as of June 30, 2021:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Mutual Funds	\$ 19,674	\$ 19,984	\$ 310
Fixed Income Bonds	1,255,558	1,292,732	37,174
Stocks & Equities	<u>2,278,371</u>	<u>3,386,954</u>	<u>1,108,583</u>
Balance, June 30, 2021	<u>\$ 3,553,603</u>	<u>\$ 4,699,670</u>	<u>1,146,067</u>
Balance, June 30, 2020	<u>\$ 2,988,508</u>	<u>\$ 3,819,119</u>	<u>830,814</u>
Unrealized gain (loss) on investments			<u>\$ 315,253</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, 2021 is as follows:

	<u>Fair Value</u>	<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, 2021</u>				
Mutual funds	\$ 19,984	\$ 19,984	\$ -	\$ -
Fixed income bonds	1,292,732	1,292,732	-	-
Stocks and equities	<u>3,386,954</u>	<u>3,386,954</u>	-	-
	<u>\$4,699,670</u>	<u>\$ 4,699,670</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, 2021

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 account for in the Memorial Fund. The Library records all restricted contributions whose restrictions have been met in the same reporting period as unrestricted support.

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/CREF 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/CREF 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, 2021, Library employees contributed \$67,106 in mandatory and elective contributions to the retirement plan. The Library contributed \$45,463 on behalf of its employees during the fiscal year ending June 30, 2021. 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, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, and 2012

Year	Contractually required employee contribution	Additional employee contribution	Contractually required employer contribution	Required total contribution	Percent of required contribution made
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%
2012	27,026	25,760	41,350	94,136	100%

Danville Library, Inc.
Notes to Financial Statements
June 30, 2021

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 unrestricted resources 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 restricted temporarily, are listed in the endowment fund. All restrictions have been met on endowment funds currently held and are listed as unrestricted assets. 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 restricted donations 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.

Danville Library, Inc.
Notes to Financial Statements
June 30, 2021

NOTE 11 – CORONAVIRUS (COVID-19) IMPACT

The global coronavirus (COVID-19) pandemic continues to impact the Library. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 may impact the Library will depend on future developments and government regulations, which are highly uncertain and cannot be predicted. As a result, the Organization has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through November 19, 2021, the date this report became available for issuance.

Danville Library, Inc.
 Operating Fund Statement of Support, Revenues, and Expenses Budget to Actual- Cash Budgetary Basis
 For The Year Ended June 30, 2021

	Original Budget	Revisions	Revised Budget	Actual	Favorable (Unfavorable) Balance
Revenues & other support					
Public library tax	\$ 1,270,000	\$ -	\$ 1,270,000	\$ 1,270,000	\$ -
Grants and contributions	6,700	-	6,700	6,700	-
Desk receipts	13,500	-	13,500	11,774	(1,726)
Other revenues	-	-	-	153	153
Interest income	350	-	350	231	(119)
Transfers from endowment fund	88,000	-	88,000	97,103	9,103
Total revenue & other support	1,378,550	-	1,378,550	1,385,961	7,411
Expenditures					
Compensation					
Salaries & wages	840,324	-	840,324	812,413	27,911
Payroll taxes	72,084	-	72,084	65,655	6,429
Retirement	54,954	-	54,954	45,406	9,548
Benefit expense	154,950	-	154,950	173,240	(18,290)
Other payroll expenses	-	-	-	-	-
Total Compensation	1,122,312	-	1,122,312	1,096,714	25,598
Library books & materials	145,300	-	145,300	134,944	10,356
Outreach	8,350	-	8,350	4,362	3,988
Electronic access	68,600	-	68,600	48,677	19,923
Administrative expenses					
Professional fees	6,860	-	6,860	6,860	-
Office supplies	7,000	-	7,000	7,352	(352)
Programming supplies	14,000	-	14,000	16,791	(2,791)
Processing supplies	7,000	-	7,000	4,816	2,184
Postage	3,000	-	3,000	2,630	370
Staff development	10,000	-	10,000	5,849	4,151
Advertising & public relations	8,100	-	8,100	8,050	50
Other expenses	4,000	-	4,000	8,025	(4,025)
Total Administrative expenses	59,960	-	59,960	60,373	(413)
Operating expenses					
Building repairs & maintenance	7,400	-	7,400	7,903	(503)
Building & maintenance supplies	11,500	-	11,500	10,949	551
Service contracts	8,350	-	8,350	13,358	(5,008)
Utilities & telephone	46,600	-	46,600	42,198	4,402
Insurance	12,000	-	12,000	13,072	(1,072)
Equipment & furnishings	19,000	-	19,000	19,661	(661)
Total Operating expenses	104,850	-	104,850	107,141	(2,291)
Total Expenditures	1,509,372	-	1,509,372	1,452,211	57,161
Net change in fund balance	(130,822)	-	(130,822)	(66,250)	

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, 2021

Reconciliation to the Statement of Support, Revenues, and Expenses

Net Change in Fund Balance - Budgetary Cash Basis \$ (66,250)

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	15,908
Collection Adjustment Expense	12,928
Depreciation Expense	<u>(52,267)</u>

Change in Unrestricted Net Assets in Statement of Support, Revenues, and Expenses- Modified Cash Basis \$ (89,681)

See Independent Auditor's Report.