

BOYD COUNTY PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION – CASH BASIS.....	4
STATEMENT OF ACTIVITIES – CASH BASIS.....	5
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS.....	6
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES – GOVERNMENTAL FUNDS.....	7
NOTES TO FINANCIAL STATEMENTS.....	8-14
SUPPLEMENTAL INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – CASH BASIS BUDGET AND ACTUAL – GENERAL FUND.....	15
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16-17




Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.ksgcpa.com Member of  **Allinial** GLOBAL.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Boyd County Public Library District
Ashland, Kentucky 41101

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of Boyd County Public Library District (the "Library") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Library'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 the cash basis of accounting described in Note 1. This includes determining that the 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 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 cash-basis financial position of the governmental activities and each major fund of Boyd County Public Library District as of June 30, 2019 and the respective changes in cash-basis financial position for the year then ended in conformity with the cash basis of accounting described in Note 1.

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 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 that matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements. The budgetary comparison information on page 15 is presented for purposes of additional analysis and is 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 budgetary comparison schedule 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 budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2019, on our consideration of the Library's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Library's internal control over financial reporting and compliance.

Kelley Dalloway Smith Goolsby, PSC

Ashland, Kentucky
September 6, 2019

**BOYD COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019**

	<u>Governmental- Type Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,444,009
Certificates of deposit	1,097,382
Total current assets	<u>5,541,391</u>
Total assets	<u><u>\$ 5,541,391</u></u>
 NET POSITION	
Unrestricted	\$ 5,541,391
Total net position	<u><u>\$ 5,541,391</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues			Net Expense (Revenue) and Changes in Net Position
Primary government: Governmental activities:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Library services				Governmental Activities
Total governmental activities	\$ 2,966,867	\$ 25,125	\$ 39,979	\$ (2,901,763)
Total primary government	<u>2,966,867</u>	<u>25,125</u>	<u>39,979</u>	<u>(2,901,763)</u>
	\$ <u>2,966,867</u>	\$ <u>25,125</u>	\$ <u>39,979</u>	\$ <u>(2,901,763)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 3,244,373
Other				4,375
Interest income				88,968
Total general revenues				<u>3,337,716</u>
Change in net position				435,953
Net position, June 30, 2018				<u>5,105,438</u>
Net position, June 30, 2019				<u>\$ 5,541,391</u>

The accompanying notes to financial statements are an integral part of this statement.

BOYD COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Building Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,444,009	\$ -	\$ 4,444,009
Certificates of deposit	1,040,025	57,357	1,097,382
Total assets	\$ 5,484,034	\$ 57,357	\$ 5,541,391
 Fund balances			
Committed	\$ 1,040,025	\$ 57,357	\$ 1,097,382
Unassigned	4,444,009	-	4,444,009
Total fund balances	\$ 5,484,034	\$ 57,357	\$ 5,541,391

The accompanying notes to financial statements
are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts:			
From local sources:			
Taxes	\$ 3,244,373	\$ -	\$ 3,244,373
Charges for services	25,125	-	25,125
Local contributions	14,071	-	14,071
Other local	4,375	-	4,375
Interest income	88,647	321	88,968
State aid/grants	25,908	-	25,908
Total receipts	<u>3,402,499</u>	<u>321</u>	<u>3,402,820</u>
Disbursements:			
Current:			
Library services	<u>2,966,867</u>	<u>-</u>	<u>2,966,867</u>
Total disbursements	<u>2,966,867</u>	<u>-</u>	<u>2,966,867</u>
Net change in fund balances	435,632	321	435,953
Fund balances, June 30, 2018	<u>5,048,402</u>	<u>57,036</u>	<u>5,105,438</u>
Fund balances, June 30, 2019	<u>\$ 5,484,034</u>	<u>\$ 57,357</u>	<u>\$ 5,541,391</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

(1) NATURE OF ORGANIZATION

The Boyd County Public Library District (the "Library") was organized June 3, 1981 in accordance with section 173.720 of the Kentucky Revised Statutes (KRS). The Library provides library services to the citizens of Boyd County, Kentucky and surrounding areas. The Library's major sources of funding are 12.4 cents per hundred assessed valuation of real property, 12.4 cents per hundred assessed valuation of personal property, and 4.6 cents per hundred assessed valuation of motor vehicles property tax rates levied on property in Boyd County, Kentucky.

A summary of the more significant accounting policies of the Library are as follows:

Fund Accounting

The Library uses funds to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Library as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the Library). The statements include a statement of net position – cash basis and a statement of activities – cash basis. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Library. Governmental activities generally are financed through taxes and intergovernmental revenues. The Library had no business-type activities.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

Fund financial statements - provide information about the Library's funds. Separate statements are presented for the governmental fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The Library has two major funds, the General Fund and Building Fund.

General Fund - The General Fund is used to account for all uncommitted financial resources of the Library.

Building Fund – The Building Fund is a capital projects fund used to account for costs associated with building repairs and renovations which is primarily funded by state grants and/or local contributions.

The accounting and reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. All governmental fund types are accounted for using the cash basis of accounting. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received and disbursements are recognized when paid. This differs from U.S. generally accepted accounting principles, which requires the government-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from U.S. generally accepted accounting principles, which require the governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Basis of Accounting

In accordance with KRS 173.770, the Library maintains its accounting records and prepares its financial statements on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when obligations are incurred. Therefore, receivables, investments at fair market value, and payables, accrued income and expenses, and property, buildings, equipment and the related depreciation which may be material in amount are not reflected in the financial statements. Accordingly, the statement of receipts, disbursements and cash basis fund balances - cash basis is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

Investments

Investments are reported on the cost basis. Since all investments were donated to the Library, they have a zero cost basis. No unrealized gains or losses are included in the Statement of Receipts, Disbursements and Cash Basis Fund Balances - Cash Basis in accordance with the cash basis of accounting.

Income Taxes

The Library qualifies as a local government taxing district and therefore is exempt from federal and state income taxes.

Budgeting

The Library prepares an annual budget as required by the Kentucky Revised Statutes in establishing budgetary data reflected in the financial statement. The Library's budget is approved by the Board of Trustees.

(2) CASH BALANCES

The cash balances at June 30, 2019 consisted of the following:

Cash on hand	\$	100	
Checking/repurchase agreement		4,443,909	
Certificates of deposit		<u>1,040,025</u>	
Total general fund cash			\$ <u>5,484,034</u>
Certificate of deposit		<u>57,357</u>	
Total building fund cash			<u>57,357</u>
Total cash			\$ <u>5,541,391</u>

(3) INVESTMENTS

A summary of investments at June 30, 2019 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Equities – Level 1	\$ <u>-</u>	\$ <u>17,472</u>	\$ <u>17,472</u>

Investment return included in the financial statements is summarized as follows:

Dividend income	\$ <u>393</u>
	\$ <u>393</u>

(4) PENSION PLAN

County Employees Retirement System

The Library participates in the County Employees Retirement System (“CERS”).

Plan description: Substantially all full-time classified employees of the Library participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report (“KRS”) that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions - Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% (16.22% - pension, 5.26% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

The Library's total payroll for the year was \$1,008,868. The payroll for employees covered under CERS was \$735,136. The Library's contributions to CERS for the years ending June 30, 2019, 2018, and 2017 were \$118,236, \$96,334, and \$84,412, respectively, equal to the required contributions for the year.

The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The Library's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the Library's proportion was .026866%, this went down .025475% from the previous measurement date of June 30, 2017.

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Performance Benchmark</u>
U.S. Large Cap	8.5%	4.5%
U.S. Mid Cap	5.0%	4.5%
U.S. Small Cap	4.0%	5.5%
International Developed	12.5%	6.5%

Emerging Markets	5.0%	7.25%
Global Bonds	10.0%	3.0%
Global IG Credit	10.0%	3.75%
High Yield	3.0%	5.5%
EMD	4.0%	6.0%
Private Equity	10.0%	6.5%
Real Estate	5.0%	7.0%
Absolute Return	10.0%	5.0%
Real Return	10.0%	5.0%
Cash	3.0%	1.5%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Library's proportionate share of the net pension liability to changes in the discount rate: The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	<u>1%</u> Decrease <u>(6.50%)</u>	<u>Current</u> discount rate <u>(7.50%)</u>	<u>1%</u> Increase <u>(8.50%)</u>
Library's proportionate share of the net pension liability	\$ 2,060,000	\$ 1,636,221	\$ 1,281,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Health Insurance Coverage

CERS also provides postemployment benefits other than pensions (OPEB) in the form of post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach

a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS and OPEB. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS and OPEB and determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Payables to the pension plan: At June 30, 2019 and 2018, the Library had no outstanding payables to CERS in the cash basis financial statements.

(5) CONCENTRATION OF CREDIT RISK

The Library maintains cash balances at several local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019, additional security was pledged by one financial institution to collateralize deposits in excess of the FDIC insured amount. At June 30, 2019, the carrying amount of the Library's deposits with local banks was \$5,541,291 and the bank balances were \$5,556,943. In addition, the Library had petty cash on hand of \$100. Of the bank balances, \$17,199 was uncollateralized. The Bank balance is categorized as follows:

Amount insured by FDIC	\$ 1,330,183
Additional pledged securities	4,209,561
Uncollateralized	17,199
Total	<u>\$ 5,556,943</u>

(6) COMMITTED ASSETS

Funds classified as *committed* cannot be used for any other purpose unless the Board of Trustees takes the action to remove or change the existing constraint. Certain funds totaling \$1,040,025 represent amounts committed to be held in reserve as the Library strives to maintain at least six months of expenses on hand. Also, funds totaling \$57,357 represent amounts committed to be used for building improvements and repairs.

(7) RENTALS UNDER OPERATING LEASE

The Library's leasing operations consist of the leasing of space at the Kyova Tri-State Mall under an operating lease. The Library recognizes the expenses related to the obligation as lease payments are made. Total rent expenses under the operating type lease were \$22,500.

Beginning 7/1/19, the library had an operating lease for a RFID system from Bibliotheca for an annual rental of \$51,260. Total rent expenses under the operating type lease were \$0.

The amounts of future minimum rental payments under the current leases (not including renewals) are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 73,760
2021	53,135
2022	51,260
2023	51,260
2024	51,260
	<u>\$ 280,675</u>

(8) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases (“GASB 87”). GASB 87 establishes standards of accounting and financial reporting for leases by lessees and lessors. In particular, this Statement (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the Library for reporting periods beginning after December 15, 2019.

(9) CAPITAL OUTLAY

On June 8, 2018, the Library purchased land in the amount of \$925,000 to build a new branch of the library.

**BOYD COUNTY PUBLIC LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
RECEIPTS			
Boyd County sheriff	\$ 2,770,500	\$ 2,847,433	\$ 76,933
Boyd County clerk	206,500	272,277	65,777
Kentucky Revenue Cabinet	69,500	124,663	55,163
E-Rate	55,500	-	(55,500)
State aid/grants	20,000	25,908	5,908
Fines	14,000	4,192	(9,808)
Copier & other fees	18,000	20,933	2,933
Reimbursements	-	376	376
Miscellaneous receipts	2,500	3,989	1,489
Contributions and gifts	7,000	14,071	7,071
Interest income	52,500	87,674	35,174
Investment income	-	973	973
Friends receipts	-	10	10
Total receipts	<u>3,216,000</u>	<u>3,402,499</u>	<u>186,499</u>
DISBURSEMENTS			
Salaries and related benefits	1,834,000	1,540,633	293,367
Library materials	570,000	587,727	(17,727)
Building repairs and maintenance	14,000	7,100	6,900
Software/upgrades	37,500	24,877	12,623
Postage	36,000	21,820	14,180
Service contracts	156,000	163,115	(7,115)
Utilities	160,500	191,594	(31,094)
Lease expense	22,500	22,500	-
Office supplies	91,500	67,752	23,748
Outside services	117,000	78,262	38,738
Staff education and travel	56,000	32,750	23,250
Insurance	27,500	27,819	(319)
Public relations	33,500	48,824	(15,324)
Programming	39,000	57,802	(18,802)
Miscellaneous	33,000	41,536	(8,536)
Technology	117,500	51,107	66,393
Equipment purchases	45,000	1,649	43,351
Capital improvements	129,500	-	129,500
Total disbursements	<u>3,520,000</u>	<u>2,966,867</u>	<u>553,133</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(304,000)	435,632	739,632
FUND BALANCE-BEGINNING OF YEAR	<u>304,000</u>	<u>5,048,402</u>	<u>4,744,402</u>
FUND BALANCE-END OF YEAR	<u>\$ -</u>	<u>\$ 5,484,034</u>	<u>\$ 5,484,034</u>



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.ksgscpa.com Member of **Allinial** GLOBAL

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Boyd County Public Library District
Ashland, 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 and each major fund of the Boyd County Public Library District (the "Library") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 6, 2019, which includes an explanatory paragraph stating that the Library's financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 the Library's financial statements are free of 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
September 6, 2019