

**BOONE COUNTY
PUBLIC LIBRARY DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020**

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For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Boone County Public Library District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Boone County Public Library District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 and the budgetary comparison information and the pension and OPEB disclosures on pages 33-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the Boone County Public Library 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 solely 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 the Boone County Public Library District's internal control over financial reporting and compliance.



Van Gorder, Walker, & Co., Inc.

Erlanger, Kentucky
December 17, 2020

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

As management of the Boone County Public Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is a required element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34. It provides management with the opportunity to present an overview of the financial activities of the District based on currently known facts, decisions or conditions. The District's basic financial statements are comprised of the components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the private business sector.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements – The fund financial statements focus on governmental activities and tell how these services were financed in the short term as well as what remains for future spending. This statement also reports the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds – General and Capital Projects.

The District's services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to residents. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-32 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

The combined net position of the District decreased between FY 2019 and 2020, for a net operating loss of \$1,108,777. The majority of the District's net position is invested in capital assets or investments. The unrestricted net position amount of \$11,393,439 represents the amount the District can use to fund programs and operations in the future.

Net Position

The following is a summary of net position for the fiscal years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 20,005,067	\$ 20,378,063
Noncurrent assets	34,768,637	34,768,902
Total Assets	54,773,704	55,146,965
Deferred outflows of resources	2,382,276	2,351,556
Total Assets and Deferred Outflows	<u>57,155,980</u>	<u>57,498,521</u>
Liabilities		
Current liabilities	315,470	391,844
Long term liabilities	9,891,973	9,017,029
Total Liabilities	10,207,443	9,408,873
Deferred inflows of resources	884,581	916,915
Total Liabilities and Deferred Inflows	<u>11,092,024</u>	<u>10,325,788</u>
Net Position		
Net investment in capital assets	34,670,517	34,612,241
Unrestricted	11,393,439	12,560,492
Total Net Position	<u>\$ 46,063,956</u>	<u>\$ 47,172,733</u>

The vast majority (92.5%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The District carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with attention to opportunities in increase yield. The District realized \$322,842 in investment revenue during fiscal year 2020.

The remaining amount of revenue received was in the form of program revenues, which equaled \$150,206 or 1.6% of total revenues.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2020 and 2019.

Statement of Activities

Revenues		
Program Revenues:	2020	2019
Charges for services	\$ 30,948	\$ 61,804
Operating grants and contributions	79,055	98,050
Capital grants and contributions	40,203	40,277
Total Program Revenues	<u>150,206</u>	<u>200,131</u>
General Revenues		
Property taxes	8,012,662	7,990,373
Other taxes	508,339	528,460
Investment earnings	322,842	362,186
Gain on disposal of property	361,235	-
Miscellaneous	125,061	74,674
Total General Revenues	<u>9,330,139</u>	<u>8,955,693</u>
Total Revenues	<u>9,480,345</u>	<u>9,155,824</u>
Program Expenses		
Personnel	6,674,025	5,807,087
Materials	735,190	444,119
Facility	262,521	347,332
Support services	220,146	189,497
Maintenance	425,901	355,183
Program	258,356	225,184
Automation	298,027	322,878
Other	241,757	240,376
Depreciation	1,473,199	1,743,790
Total Expenses	<u>10,589,122</u>	<u>9,675,446</u>
Change in Net Position	<u>\$ (1,108,777)</u>	<u>\$ (519,622)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. Several revenue sources fund governmental activities with property tax being the largest contributor. All governmental funds had total revenue of \$9,695,433 and expenditures of \$10,050,596. The most active fund is the General Fund with an unassigned fund balance at year-end of \$8,600,221.

CAPITAL ASSETS AND DEBT

Capital Assets – Net investment in capital assets for the District as of June 30, 2020 were \$34,670,517. This represents an increase of \$58,276 from the previous year.

	<u>2020</u>	<u>2019</u>
Land	\$ 9,081,878	\$ 9,159,978
Construction in progress	-	9,640,591
Buildings and Improvements	29,711,428	20,069,885
Land improvements	827,283	846,312
Furniture, fixtures and equipment	2,753,170	2,751,844
Computer automation	448,146	460,646
Collection - books, AV media	4,656,273	4,238,274
Vehicles	351,511	351,511
Accumulated Depreciation	<u>(13,159,172)</u>	<u>(12,906,800)</u>
Capital Assets, Net	<u>\$ 34,670,517</u>	<u>\$ 34,612,241</u>

Debt - At June 30, 2020 the District had no long-term debt and \$315,470 in current liabilities, consisting of accounts payable, accrued payroll, vacations and withholding.

As of June 30, 2020, the District is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension and OPEB liability, \$9,891,973, the deferred outflow of resources, \$2,382,276, and the deferred inflow of resources, \$884,581 on the Statement of Net Position at June 30, 2020 are a function of this required reporting. Detailed information on this pension and OPEB recognition can be found in Note H in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Library continues to provide excellent service to the public by constantly monitoring changes, or improvements to evaluate and re-evaluate internal processes and procedures. BCPL continued to work with a consulting engineering firm to tighten the building envelope at all locations and to make sure that all energy usage systems are operating at peak efficiencies. We are seeing savings in our utility costs. The rising cost of healthcare and retirement continues to be an ongoing concern so we are always on the lookout for alternative forms of revenue.

The Library received a \$12,000 grant from the Boone County Early Childhood Fund to pilot a STEM Storytime at one location and at two outreach sites. The Local History Department received an award in Arts, Culture and History for the Boone County African American History Project from the National Association of Counties (NACO). The Local History Department accepted the Power of Libraries Award from SirsiDynix. BCPL received this award for our African Americans of Boone County History Project. The Library received \$50,000 in mitigation funds from CVG for the African Americans of Boone County History Project. The Scheben Branch became a passport acceptance agency.

Boone County Public Library was on pace to have a record breaking year. The Hebron Branch opened on July 29, 2019. The location was designed to take advantage of the green space and nature, having a 1 mile StoryWalk to promote physical activity and early literacy, large windows, an amphitheater, and a shaded patio. Inside it has early literacy interactives in the children's area, study rooms, meeting

rooms, a retired adult area, and the Boone Innovation Lab (a Makerspace for the community to use). Additional payments as work was completed happened in FY2020. The Lents Branch was sold.

And then the pandemic hit and all physical locations were closed from March 14 to May 17. The Library became an organization that had to pivot from 85% in person services to 100% digital. On May 18th, the Library opened for curbside pickup only.

On June 15th, all Library locations opened their doors. However, due to maximum occupancy and staffing restrictions, with reduced hours. All locations had removed half of our seating and all toys, and had moved all computers around in order to account for social distancing. All desks were equipped with sneeze guards and a rigorous cleaning schedule was put into place. Due to the need to store the furniture, the meeting rooms are not available for use by the community or the Library for programming.

We canceled all in person in the building programs through December 31, 2020 based on CDC recommendation. A Summer Reading Team worked on a plan to move our summer reading program to all online. We moved the Library programming online, starting with Storytimes that are posted on our YouTube channel every Wednesday and Friday. Adult Programmers began virtual programming in June. Book discussion groups, Writer's Groups, D&D games are a few of the examples of what the Library offers virtually.

Several Capital Projects were budgeted for FY2020, however some were not completed due to Covid 19 shutdowns. The Library added security card access to 6 additional doors across the system. This allows us to secure sensitive documents and information much better than a key. It also tracks who accesses these doors. In January 2020, the Library Board signed a contract with MSR Design to conduct a Facilities Master Plan. This was expected to be completed prior to the end of FY2020, however due to Covid 19 this has been pushed to December 2020. The cost of the work will be split between FY2020 and FY2021.

At the Main Library, a humidifier was installed in the Local History area of the garden level, a new heat pump was installed for the whole building, and a dumpster enclosure and pad were installed. An interior refresh was scheduled for the Main Library, however, this project had partial completion, with the rest of the work pushed to FY2021. Funds that had been budgeted to upgrade the security system and to purchase a new book drop were not used. These expenditures have been pushed to FY2021.

At the Florence Branch, the public seats for computers and tables were replaced. Study rooms were added to the Florence and Walton Branches so that all locations, except the Chapin Memorial Library, now have quiet spaces to study and/or work. The Library had budgeted to begin the design process on the Walton Branch, but chose not to use those funds. The Library Board is waiting for the Facilities Master Plan Report before moving forward. At the Scheben Branch landscaping was updated to screen the fence line. Two planned projects at the Scheben Branch were pushed to FY2021.

The operating budget has several line items that will be over budget due to unanticipated expenses related to Covid 19. Many PPE purchases were placed under the district and location miscellaneous funds and janitorial funds. To meet the need of the community while the Library was closed to in the building use, the Library added many eMaterials and databases. These purchases will put the Collection and Electronic Resources line items over budget. However, due to not filling 17 positions vacated either just before the pandemic shutdown or during the shutdown the Salary line item was not expended and should cover these additional expenditures.

We worked with Overdrive, the vendor we use for our state-wide ebook and eaudiobook consortium, Kentucky Libraries Unbound, to purchase additional eMaterials. There was a huge increase in borrowing for Juvenile Fiction and Juvenile Non-Fiction. Adult Fiction and Adult Non-Fiction saw a slight uptick but not an astronomical one. We launched a redesign of our online catalog that made it

easier to identify our digital items first. We added three new tools to our website: NicheAcademy, NewspaperArchive, and Creative Bug. Freegal was updated from 3 hours of streaming music per day to unlimited streaming music per day.

The Public Relations Department continues to work on original content creation through blogs and videos. Through their work, BCPL's Facebook page has more followers than any other public library in Kentucky. They continue to see a high level of engagement on all social media platforms BCPL uses—Facebook, Twitter, Instagram, LinkedIn, YouTube, Good Reads, and Tumblr.

Our strategic plan emphasizes lifelong learning opportunities for early childhood and retired adults; and local history research and programs. We have continued to expand our offerings to the educational community and strengthened our partnerships with Boone County Parks, Boone County Early Childhood Fund, Northern Kentucky Early Childhood Council, Northern Kentucky Forum, Boone County Schools, and Walton Verona Schools during this past fiscal year.

REQUESTS FOR INFORMATION

Questions regarding this report should be directed to Carrie Herrmann, Boone County Public Library, 1786 Burlington Pike, Burlington, KY 41005, telephone (859) 292-3387, or email director@bcpl.org.

BOONE COUNTY PUBLIC LIBRARY DISTRICT STATEMENT OF NET POSITION June 30, 2020

Assets	Governmental Activities
Current:	
Cash and cash equivalents	\$ 8,243,085
Accounts receivable - taxes	195,739
Accounts receivable - other	58,377
Investments	11,507,866
Total current assets	<u>20,005,067</u>
Noncurrent:	
Capital assets:	
Nondepreciated capital assets:	
Land	9,081,878
Depreciated capital assets:	38,747,811
Less accumulated depreciation	<u>(13,159,172)</u>
Net capital assets	34,670,517
Other non-current assets	<u>98,120</u>
Total noncurrent assets	<u>34,768,637</u>
Total assets	54,773,704
Deferred outflows of resources	
Deferred outflows related to pensions and OPEB - CERS	<u>2,382,276</u>
Total assets and deferred outflows of resources	<u>57,155,980</u>
Liabilities	
Current:	
Accounts payable	62,354
Accrued wages and vacations payable	244,393
Accrued payroll withholdings	<u>8,723</u>
Total current liabilities	315,470
Long term liabilities	
Net pension and OPEB liability - CERS	<u>9,891,973</u>
Total liabilities	10,207,443
Deferred inflows of resources	
Deferred inflows related to pensions and OPEB - CERS	<u>884,581</u>
Total liabilities and deferred inflow of resources	<u>11,092,024</u>
Net position	
Net investment in capital assets	34,670,517
Unrestricted	<u>11,393,439</u>
Total net position	<u>\$ 46,063,956</u>

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental activities					
Personnel	\$ 6,674,025	\$ -	\$ -	\$ -	\$ (6,674,025)
Materials	735,190	-	-	-	(735,190)
Facility	262,521	-	-	-	(262,521)
Support services	220,146	-	-	-	(220,146)
Maintenance	425,901	-	-	-	(425,901)
Program	258,356	-	-	-	(258,356)
Automation	298,027	-	-	-	(298,027)
Other	241,757	-	-	-	(241,757)
Depreciation	1,473,199	-	-	-	(1,473,199)
Revenue	-	30,948	79,055	40,203	150,206
Total governmental activities	\$ 10,589,122	\$ 30,948	\$ 79,055	\$ 40,203	(10,438,916)
		General revenues			
					8,012,662
					508,339
					322,842
					361,235
					125,061
					9,330,139
					(1,108,777)
					47,172,733
					\$ 46,063,956

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020
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Assets	General Fund	Capital Projects Fund	Total Governmental Funds
Current:			
Cash and cash equivalents	\$ 2,971,651	\$ 5,271,434	\$ 8,243,085
Accounts receivable - taxes	195,739	-	195,739
Accounts receivable - other	32,760	25,617	58,377
Due from capital projects fund	5,715,541	-	5,715,541
Investments	-	11,507,866	11,507,866
Total current assets	<u>8,915,691</u>	<u>16,804,917</u>	<u>25,720,608</u>
Non current assets			
Prepaid rent	83,037	-	83,037
Other prepaid expenses	13,862	-	13,862
Deposits	1,221	-	1,221
Total non current assets	<u>98,120</u>	<u>-</u>	<u>98,120</u>
Total assets	<u><u>\$ 9,013,811</u></u>	<u><u>\$ 16,804,917</u></u>	<u><u>\$ 25,818,728</u></u>
 Liabilities and fund balances			
Liabilities			
Current:			
Accounts payable	\$ 62,354	\$ -	\$ 62,354
Due to general fund	-	5,715,541	5,715,541
Accrued wages and vacations payable	244,393	-	244,393
Accrued payroll withholdings	8,723	-	8,723
Total current liabilities	<u>315,470</u>	<u>5,715,541</u>	<u>6,031,011</u>
 Fund balances			
Non-spendable	98,120	-	98,120
Committed			
Capital projects fund	-	11,089,376	11,089,376
Unassigned			
General fund	<u>8,600,221</u>	<u>-</u>	<u>8,600,221</u>
Total fund balances	<u>8,698,341</u>	<u>11,089,376</u>	<u>19,787,717</u>
Total liabilities and fund balances	<u><u>\$ 9,013,811</u></u>	<u><u>\$ 16,804,917</u></u>	<u><u>\$ 25,818,728</u></u>

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020

Total fund balances for governmental funds	\$ 19,787,717
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$47,829,689 less accumulated depreciation of (\$13,159,172), used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	34,670,517
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Net pension liability - CERS	(7,983,139)
Net OPEB liability - CERS	(1,908,834)

Deferred outflows and inflows of resources related to pensions and post employment health insurance are applicable to future periods and, therefore are not reportable in the funds:

Deferred outflow of resources - pensions - CERS	1,656,613
Deferred outflow of resources - OPEB - CERS	725,663
Deferred inflow of resources - pensions - CERS	(193,319)
Deferred inflow of resources - OPEB - CERS	<u>(691,262)</u>

Net position of governmental activities	<u>\$ 46,063,956</u>
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The accompanying notes are an integral part of these financial statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2020
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	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 8,012,662	\$ -	\$ 8,012,662
Motor vehicle	405,708	-	405,708
Telecommunications	102,221	-	102,221
Watercraft	410	-	410
Fines and fees	30,948	-	30,948
Grants	4,070	-	4,070
Gifts	790	-	790
Reimbursement	650,518	-	650,518
State aid	40,203	-	40,203
Earnings on investments and deposits	49,608	273,234	322,842
Other local sources	125,061	-	125,061
Total revenues	<u>9,422,199</u>	<u>273,234</u>	<u>9,695,433</u>
Expenditures			
Personnel	5,862,136	-	5,862,136
Materials	735,190	-	735,190
Facility	262,521	-	262,521
Support services	220,146	-	220,146
Maintenance	425,901	-	425,901
Program	258,356	-	258,356
Automation	298,027	-	298,027
Other	241,757	-	241,757
Capital outlay	-	1,746,562	1,746,562
Total expenditures	<u>8,304,034</u>	<u>1,746,562</u>	<u>10,050,596</u>
Net change in fund balance	1,118,165	(1,473,328)	(355,163)
Fund balances, beginning of year	<u>7,580,176</u>	<u>12,562,704</u>	<u>20,142,880</u>
Fund balances, end of year	<u>\$ 8,698,341</u>	<u>\$ 11,089,376</u>	<u>\$ 19,787,717</u>

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

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020</p>

Net change in fund balances per fund financial statements \$ (355,163)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(1,473,199)
Proceeds from sale of property	(576,323)
Gain on sale of property	361,235
Capital outlays	1,746,563

Governmental funds report pension and post employment health insurance contributions as expenditures. However, in the statement of activities, the cost of pension and post employment health insurance benefits earned, net of employer contributions, is reported as an expense:

Cost of benefits earned - pension - CERS	(787,153)
Cost of benefits earned - OPEB - CERS	(24,737)
	(811,890)

Change in net position of governmental activities \$ (1,108,777)

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Boone County Public Library District (the District) operates under legislative authority and provides services as authorized. The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Boone County Public Library District. The following is a summary of the certain accounting policies followed in the preparation of these financial statements.

District-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District that are governmental and those that are considered capital asset activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the general-purpose financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of 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. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the change in total fund balance.

Government Fund Types

The District has the following funds:

General Fund

This fund is the primary operating fund of the 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. This is a major fund of the District.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty (60) days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of the governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General Fund. The due dates and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment date	October 31 to December 31
3. Delinquent date, 5% penalty, 12% interest	January 1 to January 31
4. Delinquent date, 21% penalty, 12% interest	After January 31

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

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Budgetary Process

The District follows the procedures established pursuant to Section 164.655 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgeted amounts in the financial statements are as adopted by the Board of Trustees.

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents.

Investments

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization thresholds are shown below, improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Capitalization Threshold	Governmental Activities Estimated Lives (Years)
Buildings and improvements	\$ 25,000	25-50
Land improvements	12,500	25
Computer automation	1,000	5
Vehicles	2,500	5
Audio/visuals	1	3
Microfilms	1	7
Furniture and fixtures	2,500	15
Books	1	7
Land	1	-

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Accounts Payable and Accrued Liabilities

All payables and accrued liabilities are reported in the district-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days of year-end are considered to have been made with current available financial resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB), Health Insurance

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Net Position and Fund Equity

Net position in the District Wide Statement of Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Beginning with the fiscal year ended June 30, 2010, the District adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent.

In the fund financial statements, governmental fund balances can be presented in five possible categories:

Non-spendable

These are resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted

These are resources with constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
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Committed

These are resources which are subject to limitations the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned

These are resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned

These are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – INVESTMENTS

Board policy stipulates that all investments be in conformance with federal, state and other legal requirements, including KRS 66.480 – Investment of Public Funds.

All investments made by the Board of Trustees are held in certificates of deposit. At June 30, 2020, the Board held certificates of deposit valued at \$11,507,866.

NOTE D – PREPAID RENT

During 2007, the District opened a branch library that was constructed by the Boone County Fiscal Court. Under agreement, the District paid a portion of the construction costs and will maintain the branch for a time period of no less than five years. The District has the option to extend the agreement subject to mutual concurrence. If the agreement is not extended for a minimum period of twenty-five years, the District will be reimbursed a portion of the initial construction contribution in an amount proportionate to the unused term, based on an expense calculation for a twenty-five year period, but not commencing until occupancy of the branch. The amount of the initial construction contribution was \$183,173. Prepaid rent at June 30, 2020 was \$83,037.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE E – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2020:

Asset type	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Land	\$ 9,159,978	\$ -	\$ (78,100)	\$ 9,081,878
Construction in progress	9,640,591	409,792	(10,050,383)	-
Buildings and improvements	20,069,885	10,251,739	(610,196)	29,711,428
Land improvements	846,312	13,073	(32,102)	827,283
Furniture, fixtures and equipment	2,751,844	95,891	(94,565)	2,753,170
Computer automation	460,646	-	(12,500)	448,146
Collection - books, AV media	4,238,274	1,026,451	(608,452)	4,656,273
Vehicles	351,511	-	-	351,511
Subtotal	47,519,041	11,796,946	(11,486,298)	47,829,689
Less: accumulated depreciation	(12,906,800)	(1,473,199)	1,220,827	(13,159,172)
Capital assets, net	\$ 34,612,241	\$ 10,323,747	\$ (10,265,471)	\$ 34,670,517

Depreciation expense of \$1,473,199 was not allocated to individual functions and is accounted for as a separate program expense item on the statement of activities.

NOTE F – OPERATING LEASE

The District leases sixteen copiers under an operating lease expiring in July 2021. The lease includes a concurrent service agreement that is non-refundable. Future annual minimum lease payments at June 30, 2020 are:

Fiscal Year Ending June 30,	Minimum Payment
2021	\$ 45,264

NOTE G – RENTAL INCOME

The District has lease income for 500 square feet of land for a cell phone tower. The term is 5 years with an automatic renewal of 4 terms of 5 years each if not cancelled prior to expiration of each term by lessee. Lease income for the year ended June 30, 2020 was \$15,336.

NOTE H – COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan description - Employees are covered by CERS (County Employees Retirement System), a cost-sharing multiple-employer defined benefit pension and health insurance (Other Post-Employment Benefits; OPEB) plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The Plan is divided into both a **Pension Plan** and **Health Insurance Fund Plan** (Other Post-Employment Benefits; OPEB) and each plan is further sub-divided based on **Non-Hazardous** duty and **Hazardous** duty covered-employee classifications. The Boone County Public Library District has only Non-Hazardous employees.

Membership in CERS consisted of the following at June 30, 2019:

	Non-hazardous	Hazardous	Total
Active Plan Members	84,632	9,402	94,034
Inactive Plan Members	85,300	2,702	88,002
Retired Members	58,933	8,000	66,933
	<u>228,865</u>	<u>20,104</u>	<u>248,969</u>
	Number of participating employers		<u>1,140</u>

PENSION PLAN

Non-Hazardous Pension Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Non-Hazardous duty Plan employees and beneficiaries. Employees are vested in the plan after five years of service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Contributions – Required pension plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5%
Tier 3	5%

Contributions

For non-hazardous duty employees, the District contributed 24.06% of which 19.30% was for the pension fund and 4.76% was for the health insurance fund, of the non-hazardous duty covered-employee's compensation during the fiscal year ended June 30, 2020.

The District made all required contributions for the non-hazardous Plan obligation for the fiscal year in the amount of \$811,890, of which \$787,153 was for the pension fund and \$24,737 was for the health insurance fund.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$7,983,139 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the District's non-hazardous employer allocation proportion was 0.11351% of the total CERS non-hazardous duty employees. For the year ended June 30, 2020, the District recognized pension expense of \$787,153 in addition to its \$603,425 pension contribution.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Non-Hazardous</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 203,832	\$ (33,731)
Net difference between projected actual earnings on plan investments	-	(128,691)
Changes of assumptions	807,984	-
Changes in proportion and differences between contributions and proportionate share of contributions	41,372	(30,897)
Contributions subsequent to the measurement date	603,425	-
	<u>\$ 1,656,613</u>	<u>\$ (193,319)</u>

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2020</p>
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The District's contributions subsequent to the measurement date of \$603,425 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ 576,561
2021	198,503
2022	75,675
2023	9,130
2024	-
Thereafter	-
	\$ 859,869

Actuarial Assumptions

The total pension liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth	2.00%
Salary increase	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation

The mortality table used for active members is Pub-2010 General Mortality table for the Non-Hazardous System and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 9,984,642	\$ 7,983,139	\$ 6,314,905
Total	\$ 9,984,642	\$ 7,983,139	\$ 6,314,905

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

HEALTH INSURANCE – OTHER POST-EMPLOYMENT BENEFITS

Non-Hazardous OPEB Plan Description

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to non-hazardous duty plan employees and beneficiaries. Health insurance coverage is provided through payment/partial payment of insurance premiums for both non-Medicare-eligible and Medicare-eligible retirees.

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Percentage of member premium paid by the plan	< 4 years service - 0% 4-9 years service - 25% 10-14 years service - 50% 15-19 years service - 75% 20 or more years service - 100%
Tier 2	Participation date	July 1, 2003 - August 31, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.
Tier 3	Participation date	On or after September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Member premium paid by the plan	\$10/month for each year of earned service with a 1.5% increase each July 1. As of July 1, 2018, the contribution was \$13.38 per month.

Contributions – Required health insurance plan contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

Contributions

Contribution requirements for covered employees and participating governmental entities are established and may be amended by the KRS Trustees. The contractually required contribution rate for governmental entities was 4.76% of covered-employee payroll for non-hazardous duty employees; actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB

BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2020

plan from the District were \$148,824 for non-hazardous duty employees for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of \$1,908,834 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At June 30, 2019, the District's proportion of the non-hazardous plan was 0.11349%.

For the year ended June 30, 2020, the District recognized an OPEB expense of \$148,824. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (575,939)
Net difference between projected actual earnings on plan investments	-	(84,782)
Changes of assumptions	564,841	(3,777)
Changes in proportion and differences between contributions and proportionate share of contributions	11,998	(26,764)
Contributions subsequent to the measurement date	148,824	-
	<u>\$ 725,663</u>	<u>\$ (691,262)</u>

The District's contributions subsequent to the measurement date, \$148,824 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2020	\$ (16,868)
2021	(16,868)
2022	10,087
2023	(41,545)
2024	(41,403)
Thereafter	(7,826)
	<u>\$ (114,423)</u>

<p>BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2020</p>
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Actuarial Assumptions

The total OPEB liability as of June 30, 2020 is based on an actuarial valuation date of June 30, 2018, rolled forward to June 30, 2019, and determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increase s	3.30-3.55%, minimum, including inflation
Investment rate of return	6.25%, net of pension plan expense, including inflation,
Healthcare trend rates (Pre-65):	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare trend rates (Post-65):	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality: Pre-retirement	PUB-2010 General Mortality table for Non-Hazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERS Health Insurance Target Allocation	Long Term Expected Nominal Return
Combined equity	37.5%	4.55%
Specialty credit / high yield	15.0%	2.60%
Real return (diversified inflation strategies)	15.0%	4.10%
Absolute return (diversified hedge funds)	3.0%	2.97%
Private equity	10.0%	6.65%
Real estate	5.0%	4.85%
Global bonds	13.5%	1.35%
Cash	1.0%	0.20%

Changes of Assumptions

In June 2019, based on the 2018 Actuarial Experience Study for the Period Ending June 30, 2018, the following actuarial assumptions were updated:

- Annual salary increases were updated.
- Annual rates of retirement, disability, withdrawal, and mortality were updated.
- The percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members and 50% for hazardous duty members.

In 2019 the following changes were made to the discount rates:

- For the non-hazardous plan, the single discount rate changed from 5.85% to 5.68%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.68% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

BOONE COUNTY PUBLIC LIBRARY DISTRICT NOTES TO THE FINANCIAL STATEMENTS June 30, 2020

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.68% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount rate, non-hazardous	4.68%	5.68%	6.68%
Net OPEB liability, non-hazardous	<u>\$ 2,557,052</u>	<u>\$ 1,908,834</u>	<u>\$ 1,374,745</u>

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	<u>\$ 1,419,609</u>	<u>\$ 1,908,834</u>	<u>\$ 2,502,076</u>

Plan Fiduciary Net Position

Both the Pension Plan and the Health Insurance Plan issue publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained, in writing, from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE I – CONCENTRATION OF CREDIT RISK

For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, the District’s deposits totaling \$19,750,989, are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

NOTE J – CONTINGENCIES

The District is not currently a defendant in any lawsuits.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE K – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Statement No. 83 – *Certain Asset Retirement Obligations – FY 2020*

Statement No. 88 – *Certain Disclosures Related to Debt – FY 2020*

Statement No. 95 – *Postponement of Effective Dates of Authoritative Guidance – FY 2020*

NOTE L – FUTURE ACCOUNTING STANDARDS

Statement No. 84 – *Fiduciary Activities – FY 2021*

Statement No. 87 – *Leases – FY 2022*

Statement No. 89 – *Accounting for Interest Cost in Construction Projects – FY 2021*

Statement No. 90 – *Majority Equity Interests – FY 2021*

Statement No. 91 – *Conduit Debt Obligations – FY 2023*

Statement No. 92 – *Omnibus 2020 – FY 2022*

Statement No. 93 – *Replacement of Interbank Offered Rates – FY 2022*

Statement No. 94 – *Public-Private and Public-Public Partnerships – FY 2022*

Statement No. 96 – *Subscription-Based Information Technology Arrangements – FY 2022*

Statement No. 97 – *Component Unit Criteria for IRS Section 457 Deferred Comp. Plans – FY 2022*

NOTE M - COVID-19 GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization announced a global health emergency, later classified as a global pandemic, as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States of America. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. The District's Management and Board are actively monitoring the impact of the global pandemic on its financial condition, liquidity, operations, suppliers, and industry.

The primary effects on the District from the COVID-19 Global Pandemic were not financial but operational. There was a significant decrease in availability and use of Library facilities during March-June, 2020. The 2020-21 fiscal-year budget has been passed to incorporate any potential effects of the pandemic on the District's financial condition.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated events through December 17, 2020, which represents the date the financial statements were available to be issued. The District's management did not have any events subsequent from June 30, 2020 through December 17, 2020 to disclose.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
BUDGET AND ACTUAL OF GENERAL FUND
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues					
From local sources:					
Taxes:					
Property	\$ 7,650,000	\$ -	\$ 7,650,000	\$ 8,012,662	\$ 362,662
Motor vehicle	375,000	-	375,000	405,708	30,708
Telecommunications	101,000	-	101,000	102,221	1,221
Watercraft	35,000	-	35,000	410	(34,590)
Fines and fees	23,550	-	23,550	30,948	7,398
Grants	5,000	-	5,000	4,070	(930)
Gifts	-	-	-	790	790
Reimbursement	45,380	579,150	624,530	650,518	25,988
State aid	40,757	-	40,757	40,203	(554)
Investment earnings	250,000	20,000	270,000	49,608	(220,392)
Other local sources	106,147	13,400	119,547	125,061	5,514
Total revenues	<u>8,631,834</u>	<u>612,550</u>	<u>9,244,384</u>	<u>9,422,199</u>	<u>177,815</u>
Expenditures					
Personnel	6,501,497	(71,138)	6,430,359	5,862,136	568,223
Materials	1,090,417	18,279	1,108,696	735,190	373,506
Facility	2,647,329	150,641	2,797,970	262,521	2,535,449
Support services	250,837	(337)	250,500	220,146	30,354
Maintenance	526,085	15,086	541,171	425,901	115,270
Program	317,450	13,148	330,598	258,356	72,242
Automation	298,975	14,619	313,594	298,027	15,567
Other	166,320	7,000	173,320	241,757	(68,437)
Total expenditures	<u>11,798,910</u>	<u>147,298</u>	<u>11,946,208</u>	<u>8,304,034</u>	<u>3,642,174</u>
Excess of revenues over (under) expenditures	(3,167,076)	465,252	(2,701,824)	1,118,165	3,819,989
Fund balance, beginning of year	<u>(10,244,500)</u>	<u>4,385,612</u>	<u>(5,858,888)</u>	<u>7,580,176</u>	<u>13,439,064</u>
Fund balance, end of year	<u><u>\$ (13,411,576)</u></u>	<u><u>\$ 4,850,864</u></u>	<u><u>\$ (8,560,712)</u></u>	<u><u>\$ 8,698,341</u></u>	<u><u>\$ 17,259,053</u></u>

BOONE COUNTY PUBLIC LIBRARY DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

**Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net pension liability	0.11351%	0.11464%	0.11303%	0.111840%	0.116230%	0.116993%				
Proportionate share of the net pension liability (asset)	\$ 7,983,139	\$ 6,981,743	\$ 6,615,759	\$ 5,506,807	\$ 4,997,345	\$ 3,795,680				
Covered payroll in year of measurement	2,864,592	2,369,523	2,773,117	2,667,983	2,711,795	2,683,337				
Share of the net pension liability (asset) as a percentage of its covered payroll	278.68%	294.65%	238.57%	206.40%	184.28%	141.45%				
Plan fiduciary net position as a percentage of total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%				

**Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 603,425	\$ 464,637	\$ 343,107	\$ 383,914	\$ 331,698	\$ 345,754	\$ 368,910			
Actual contribution	603,425	464,637	343,107	383,914	331,698	345,754	368,910			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
Covered payroll	3,126,555	2,864,592	2,369,523	2,773,117	2,667,983	2,711,795	2,683,337			
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.84%	12.43%	12.75%	13.75%			

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020
Changes of Assumptions**

The net pension liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OPEB PLAN DISCLOSURE - NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net OPEB Liability
County Employees' Retirement System (CERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of net OPEB liability	0.113490%	0.114630%	0.113030%							
Proportionate share of the net OPEB liability (asset)	\$ 1,908,834	\$ 2,035,286	\$ 2,272,209							
Covered payroll in year of measurement	2,864,592	2,369,523	2,773,117							
Share of the net OPEB liability (asset) as a percentage of its covered payroll	66.64%	85.89%	81.94%							
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%							

Schedule of the District's OPEB Fund Contributions
County Employees' Retirement System (CERS)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 148,824	\$ 150,678	\$ 111,368	\$ 144,422						
Actual contribution	148,824	150,678	111,368	144,422						
Contribution deficiency (excess)	-	-	-	-						
Covered payroll	3,126,555	2,864,592	2,369,523	2,773,117						
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	5.21%						

Notes to Required Supplementary Information
For the Year Ended June 30, 2020
Changes of Assumptions

The net OPEB liability as of June 30, 2020, is based on the June 30, 2019, actuarial valuation. The changes to the elements of the OPEB expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District's contributions and proportionate share of contributions are detailed in NOTE H in the Notes to the Financial Statements.



**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
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005**

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 Boone County Public Library District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Boone County Public Library District's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boone County Public Library 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 the Boone County Public Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boone County Public Library 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 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 Boone County Public Library 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*.

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.



Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 17, 2020