

**BOYD COUNTY PUBLIC LIBRARY DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## 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, 2017, 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, 2017 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 Matters***

#### ***Required Supplementary Information***

Management has omitted a Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability, and the Schedule of Pension Contributions that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***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 1, 2017, 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 Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
September 1, 2017

**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2017**

	<u>Governmental- Type Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,840,285
Certificates of deposit	1,087,120
Total current assets	<u>5,927,405</u>
Total assets	<u><u>\$ 5,927,405</u></u>
 <b>NET POSITION</b>	
Unrestricted	<u>\$ 5,927,405</u>
Total net position	<u><u>\$ 5,927,405</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, 2017**

<u>Functions/Programs</u>	Program Revenues			Net Expense (Revenue) and Changes in Net Position
Primary government:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				Governmental Activities
Library services	\$ 3,139,092	\$ 51,369	\$ 78,478	\$ (3,009,245)
Total governmental activities	3,139,092	51,369	78,478	(3,009,245)
Total primary government	\$ 3,139,092	\$ 51,369	\$ 78,478	\$ (3,009,245)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 3,122,124
Other				5,683
Interest income				26,802
Total general revenues				3,154,609
Change in net position				145,364
Net position, June 30, 2016				5,782,041
Net position, June 30, 2017				\$ 5,927,405

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, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,840,285	\$ -	\$ 4,840,285
Certificates of deposit	1,030,368	56,752	1,087,120
Total assets	<u>\$ 5,870,653</u>	<u>\$ 56,752</u>	<u>\$ 5,927,405</u>
 <b>Fund balances</b>			
Committed	\$ 1,030,368	\$ 56,752	\$ 1,087,120
Unassigned	4,840,285	-	4,840,285
Total fund balances	<u>\$ 5,870,653</u>	<u>\$ 56,752</u>	<u>\$ 5,927,405</u>

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, 2017**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts:			
From local sources:			
Taxes	\$ 3,122,124	\$ -	\$ 3,122,124
Charges for services	51,369	-	51,369
Local contributions	58,779	-	58,779
Other local	5,683	-	5,683
Interest income	26,519	283	26,802
State aid/grants	19,699	-	19,699
Total receipts	<u>3,284,173</u>	<u>283</u>	<u>3,284,456</u>
Disbursements:			
Current:			
Library services	<u>3,139,092</u>	<u>-</u>	<u>3,139,092</u>
Total disbursements	<u>3,139,092</u>	<u>-</u>	<u>3,139,092</u>
Net change in fund balances	145,081	283	145,364
Fund balances, June 30, 2016	<u>5,725,572</u>	<u>56,469</u>	<u>5,782,041</u>
Fund balances, June 30, 2017	<u>\$ 5,870,653</u>	<u>\$ 56,752</u>	<u>\$ 5,927,405</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, 2017**

**(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 12.3 cents per hundred assessed valuation of real property, 12.3 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, 2017 consisted of the following:

Cash on hand	\$	100	
Checking/repurchase agreement		4,840,185	
Certificates of deposit		<u>1,030,368</u>	
Total general fund cash	\$		<u>5,870,653</u>
Certificate of deposit		<u>56,752</u>	
Total building fund cash			<u>56,752</u>
Total cash	\$		<u>5,927,405</u>

## (3) INVESTMENTS

A summary of investments at June 30, 2017 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Equities – Level 1	<u>\$ -</u>	<u>\$ 19,104</u>	<u>\$ 19,104</u>

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

Dividend income	\$	<u>342</u>
	\$	<u>342</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, 2017, employers were required to contribute

18.68% (13.95% - pension, 4.73% 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 \$984,168. The payroll for employees covered under CERS was \$610,382. The Library's contributions to CERS for the years ending June 30, 2017, 2016, and 2015 were \$84,412, \$73,395, and \$86,467, respectively, equal to the required contributions for the year.

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the Library's proportion was .025152%, this went down .003402% from the previous measurement date of June 30, 2015.

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2016, 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
Asset Valuation Method	5-year smoothed market
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>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
	<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% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Library's proportionate share of the net pension liability	\$ 1,543,000	\$ 1,238,379	\$ 977,000

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>.

Payables to the pension plan: At June 30, 2017 and 2016, 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, 2017, additional security was pledged by one financial institution to collateralize deposits in excess of the FDIC insured amount. At June 30, 2017, the carrying amount of the Library's deposits with local banks was \$5,927,405 and the bank balances were \$5,924,317. In addition, the Library had petty cash on hand of \$100. Of the bank balances, \$13,353 was uncollateralized. The Bank balance is categorized as follows:

Amount insured by FDIC	\$ 1,323,767
Additional pledged securities	4,587,197
Uncollateralized	13,353
Total	<u>\$ 5,924,317</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 \$1,030,368 represent amounts committed to be held in reserve as the Library strives to maintain at least six months of expenses on hand with an ultimate goal of twelve months. Also, funds totaling \$56,752 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.

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

<u>Year Ending June 30,</u>	<u>Total</u>
2018	\$ 22,500
2019	22,500
2020	22,500
2021	1,875
	<u>\$ 69,375</u>

## (8) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"). GASB 75 replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits ("OPEB"). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. GASB 75 will be effective for the Library beginning with its year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. GASB 82 will be effective for the Library beginning with its year ending June 30, 2017. The adoption of this standard did not have a material effect on the Library's financial statement, since they are on the cash basis of accounting.

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.

**SUPPLEMENTAL INFORMATION**



**BOYD COUNTY PUBLIC LIBRARY DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>ORIGINAL AND FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
<b>RECEIPTS</b>			
Boyd County sheriff	\$ 2,721,000	\$ 2,713,951	\$ (7,049)
Boyd County clerk	289,000	259,258	(29,742)
Kentucky Revenue Cabinet	70,500	107,952	37,452
E-Rate	48,000	40,963	(7,037)
State aid/grants	26,500	19,699	(6,801)
Fines	40,500	31,899	(8,601)
Copier & other fees	26,000	19,470	(6,530)
Reimbursements	3,500	796	(2,704)
Miscellaneous receipts	5,500	4,353	(1,147)
Contributions and gifts	3,000	58,779	55,779
Interest income	19,500	26,177	6,677
Investment income	-	342	342
Friends receipts	-	534	534
Total receipts	3,253,000	3,284,173	31,173
<b>DISBURSEMENTS</b>			
Salaries and related benefits	1,687,500	1,471,341	216,159
Library materials	646,000	714,024	(68,024)
Building improvements and repairs	73,000	71,534	1,466
Technology	153,000	61,434	91,566
Software/upgrades	13,500	19,363	(5,863)
Postage	35,000	35,273	(273)
Service contracts	221,000	180,692	40,308
Utilities	173,500	179,395	(5,895)
Lease expense	19,500	22,500	(3,000)
Office supplies	118,000	112,647	5,353
Equipment purchases	10,000	25,096	(15,096)
Outside services	92,500	52,173	40,327
Staff education and travel	70,000	31,734	38,266
Insurance	26,500	27,461	(961)
Public relations	62,500	64,820	(2,320)
Programming	41,000	33,713	7,287
Miscellaneous	36,500	35,892	608
Total disbursements	3,479,000	3,139,092	339,908
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	(226,000)	145,081	371,081
<b>FUND BALANCE-BEGINNING OF YEAR</b>	226,000	5,725,572	5,499,572
<b>FUND BALANCE-END OF YEAR</b>	\$ -	\$ 5,870,653	\$ 5,870,653



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**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, 2017, 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 1, 2017, 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, P S C

Ashland, Kentucky  
September 1, 2017