

**REPORT OF**  
**THE DANIEL BOONE REGIONAL LIBRARY**  
**DECEMBER 31, 2017**

## DANIEL BOONE REGIONAL LIBRARY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Daniel Boone Regional Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Daniel Boone Regional Library (the "System") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents. We also have audited the Non-GAAP Budgetary Basis Statements of Revenues and Expenditures of the System's governmental funds as listed in the table of contents for the year ended December 31, 2017, as displayed in the System's basic financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles and the budgetary basis of accounting, as appropriate; 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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes 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, each major fund, and the aggregate remaining fund information of the System as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles, and the respective budgetary comparison for the General Fund and the Debt Service Fund for the year then ended in conformity with the budgetary basis of accounting.

### ***Other Matters***

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

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

*Williams Keepers LLC*

May 1, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

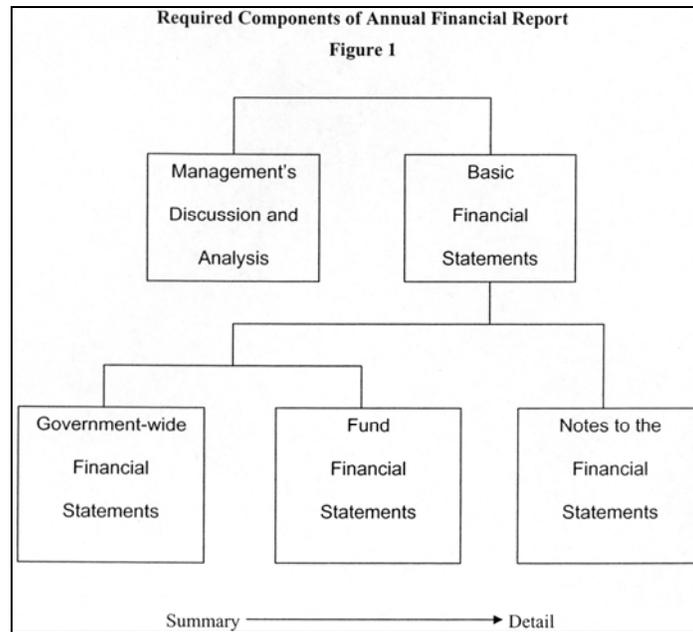
As management of the Daniel Boone Regional Library (the "System"), we offer this narrative overview and analysis of the financial activities of the Daniel Boone Regional Library for the year ended December 31, 2017. The System consists of three political subdivisions: Boone County Library District, Callaway County Library District and Columbia Library District, which have signed a regional contract under the authority of Revised Statutes of Missouri (RSMo) 70.210. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the System's financial statements, which follow this MD&A.

### Financial Highlights

- The System's total assets exceeded its liabilities on December 31, 2017 by \$36,918,316 (see Exhibit 1). This represented a decrease of (\$355,338) from the net position at December 31, 2016 (see Exhibit 2). The net position includes spendable resources as well as the investment in buildings, collections and other capital assets (net of related debt) of \$18,038,865 and funds of \$36,210 that can only be used for grant and donation spending. Included in unrestricted net position are 2017 property taxes that, although due as of December 31, 2017, were not collected and, as such, will not be expended until 2018.
- As of December 31, 2017, a portion of the System's assets and net position was no longer restricted for debt service as a result of the Series 2014 bonds being defeased during the year.
- The System's total liabilities decreased (\$3,289,483) from the prior year as shown in Figure 2.
- As of December 31, 2017, the System's governmental funds reported combined fund balances of \$19,224,027, a decrease of (\$2,604,015) in comparison to the prior year (see Exhibits 3 and 4). The portion of the total fund balance for the General Fund that is unassigned and available for spending at the System's discretion is \$13,228,350, which includes \$8,740,278 in property taxes receivable.
- Within the System's general operating fund, total actual revenues were \$329,369 more than the 2017 final budget, while total actual expenditures were \$503,341 less than the 2017 final budget (see Exhibit 5).
- Two of DBRL's member districts, the Boone County Library District (BCLD) and the Columbia Library District (CLD), unified into a single entity, the Columbia and Boone County Library District (CBCLD) on January 1, 2018. As of January 1, 2018, the System consist of CBCLD and the Callaway County Library District (CCLD) under an approved library contract under the authority of the Revised Statutes of Missouri (RSMo) 70.210.

## Overview of the Financial Statements

The System's basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *governmental fund financial statements* and 3) *notes to the financial statements*. Figure 1 illustrates the components of a typical annual financial report.



### Basic Financial Statements

#### ***Government-wide Financial Statements:***

The *government-wide financial statements* (Exhibits 1 and 2) provide both short and long-term information about the System's financial status. These financial statements present a broad overview of the System's finances, similar in format to financial statements of a private-sector business.

The *Statement of Net Position* (Exhibit 1) presents financial information on all of the System's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *Statement of Activities* (Exhibit 2) presents information showing how the System's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, as defined under the full accrual accounting basis. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

#### ***Governmental Fund Financial Statements:***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The *governmental fund financial statements* focus on the activities of the System's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" (Exhibits 3 and 4) and the "budgetary basis statements" (Exhibits 5 and 6).

*Governmental funds* (Exhibits 3 and 4) focus on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting basis provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the System's programs.

The System maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet (Exhibit 3) and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 4) for the General, Debt Service and the Other Governmental (Building) Funds. Data from the three governmental funds are combined into a single aggregated presentation.

The System adopts an annual appropriated budget for its General and Debt Service Funds. The "budgetary basis statements" for the General and the Debt Service Funds (Exhibits 5 and 6) demonstrate how the System complied with the year's approved budget. The "budgetary basis statements" are presented using the same classifications as those used in the legal budget document.

The annual budgets shown in the "budgetary basis statements" are prepared as described in Note 1. These budgets are presented using the cash basis of accounting for property tax revenue, which means only the tax revenue expected to be received by year-end is budgeted, rather than also including what may be "available" soon after the year-end, as under the modified accrual accounting basis. Because the cash basis was used to budget property tax revenue, Exhibits 5 and 6 include reconciliations that illustrate the differences between these statements and the modified accrual basis statements shown in Exhibits 3 and 4.

### ***Comparison of Government-wide and Governmental Fund Financial Statements***

*Governmental funds* (Exhibits 3 and 4) are used to account for essentially the same functions reported as *governmental activities* (Exhibit 2) in the government-wide financial statements. However, unlike the government-wide financial statements (Exhibit 1 and 2), governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements (Exhibits 1 and 2), it is useful to compare the information presented for the governmental funds (Exhibits 3 and 4) with the similar information presented for government-wide activities. By doing so, readers may better understand the long-term impact of the System's near-term financing decisions. Both the System's Balance Sheet (Exhibit 3) and the System's Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 4) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities resulting from the different accounting methods used to prepare the statements.

### ***Notes to the Financial Statements:***

*Notes to the Financial Statements* provide additional information that is essential to fully understand the financial statement data.

**Government-Wide Financial Analysis:**

The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) present the System's financial information as a whole. Figures 2 and 3 provide summaries of these statements for 2017 and 2016.

**The System's Net Position**  
**Figure 2**

	Governmental Activities	
	2017	2016
Assets:		
Current assets	\$ 19,671,712	\$ 19,022,593
Restricted assets	-	3,396,054
Capital assets, net of depreciation	18,038,865	18,902,396
Total assets	37,710,577	41,321,043
Deferred outflows of resources:	-	34,355
Liabilities:		
Short-term liabilities outstanding	451,490	2,018,663
Long-term liabilities outstanding	340,771	2,063,081
Total liabilities	792,261	4,081,744
Net position:		
Net investment in capital assets	18,038,865	15,687,941
Restricted:		
For debt service	-	3,255,687
For grant and donation spending	36,210	50,114
For maintenance	-	143,321
Unrestricted	18,843,241	18,136,591
Total net position	\$ 36,918,316	\$ 37,273,654

**Net Position:**

The System's assets exceeded its liabilities by \$36,918,316 as of December 31, 2017, a decrease in the System's net position of (\$355,338) during 2017 (see Figures 2 and 3). Of the net position, \$18,038,865 is invested in capital assets, which includes land, buildings, library materials, furniture and equipment, less related debt. The System uses capital assets to provide services to patrons; consequently, this portion of the net position is not available for future spending. The remaining portions of the System's net position are classified as either restricted or unrestricted. The restricted net position of \$36,210 is the residual equity for grant and donation spending. The unrestricted net position of \$18,843,241 includes \$8,740,278 in property tax revenues not yet received by the System from the counties' tax collectors for 2017 and prior years for taxpayers who reside within the library districts included in the System. While this amount represents collections expected to be received to pay for next year's expenditures, the full accrual basis of accounting requires that the taxes be recognized as revenue in the year for which they are assessed. Other than the decreases in restricted assets and total liabilities due to the debt service payments, amounts are comparable to the prior year.

## The System's Changes in Net Position

### Figure 3

	Governmental Activities			
	2017		2016	
Revenues:				
Program revenues:				
Charges for services	\$ 59,988	0.6%	\$ 61,793	0.5%
Operating grants and contributions	149,069	1.4%	122,904	1.0%
Capital grants and contributions	145,674	1.4%	146,417	1.2%
General revenues:				
Property taxes	10,347,622	96.9%	11,572,069	93.4%
Investment income (loss)	(70,189)	-0.7%	403,860	3.3%
Other	42,616	0.4%	82,528	0.7%
Total revenues	10,674,780	100.0%	12,389,571	100.0%
Expenses:				
Salaries and benefits	6,101,490	55.3%	5,802,405	55.0%
Library materials	1,945,848	17.6%	1,702,606	16.1%
General operating	996,623	9.0%	955,793	9.1%
Building operations and maintenance	1,961,738	17.8%	2,021,690	19.2%
Debt service	24,419	0.2%	69,932	0.7%
Total expenses	11,030,118	100.0%	10,552,426	100.0%
Increase in net position	(355,338)		1,837,145	
Net position, January 1	37,273,654		35,436,509	
Net position, December 31	\$ 36,918,316		\$ 37,273,654	

### ***Changes in Net Position:***

The System receives 96 percent of its funding from property tax revenues. Salaries and benefits represent 55 percent of the System's total expenditures. Under the method of accounting used for the government-wide financial statements, library books and other collections are capitalized as assets and depreciated over their estimated useful lives. The "library materials" expense reported in Figure 3 represents the depreciation expense on library materials that do meet the criteria for capitalization.

Property taxes decreased by \$1,224,447 or 11% as a result of the Columbia Library District not levying a debt service property tax for 2017.

Investment income (loss) decreased by \$474,049 or 117% as a result of the City of Columbia selling investments at a loss during 2017 in order to manage risk in its portfolio. The City of Columbia will purchase new investments at a higher rate of return, and anticipates that the loss will be recouped over time. However, the Columbia Library District (CLD) will not be able to recoup the loss because the CLD will no longer participate in the City of Columbia investment pool since the CLD merged with the Boone County Library District to form the Columbia and Boone County Library District.

## Governmental Fund Financial Analysis

### “Modified Accrual Basis Statement” Analysis (Exhibits 3 and 4):

The General Fund is the chief operating fund of the System.

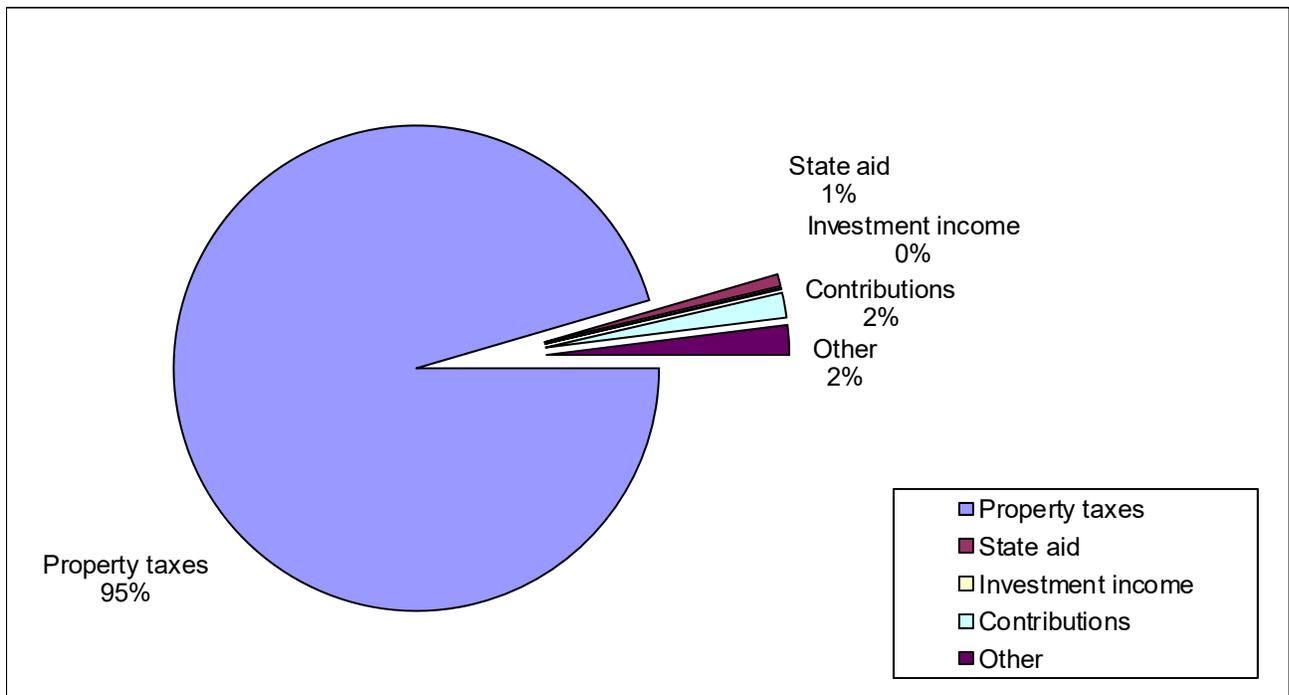
At the end of calendar year 2017, the fund balance of the General Fund was \$19,224,027, which includes \$8,740,278 in property taxes that were due but not yet received by the System (see Exhibit 3). Collections of these property taxes will be budgeted to pay for 2018 expenditures. Also, \$36,210 is restricted for grants and donations unspent at year-end, and \$4,427 and \$363,899 are not available for future spending as they represent inventory on-hand and amounts spent on prepaid expenditures, respectively. A total of \$5,591,141 has been assigned by the System’s Board of Trustees to be used for future capital expenditures and the long-range strategic plan needs (see Note 9 of the Notes to the Financial Statements). The remaining unassigned fund balance of \$13,228,350 is available for future spending.

On December 31, 2017, the System reported a combined fund balance for its governmental funds of \$19,224,027 (see Exhibit 3).

The General Fund balance decreased (\$2,604,015) in 2017 mainly due to the extinguishment of the general obligation bonds.

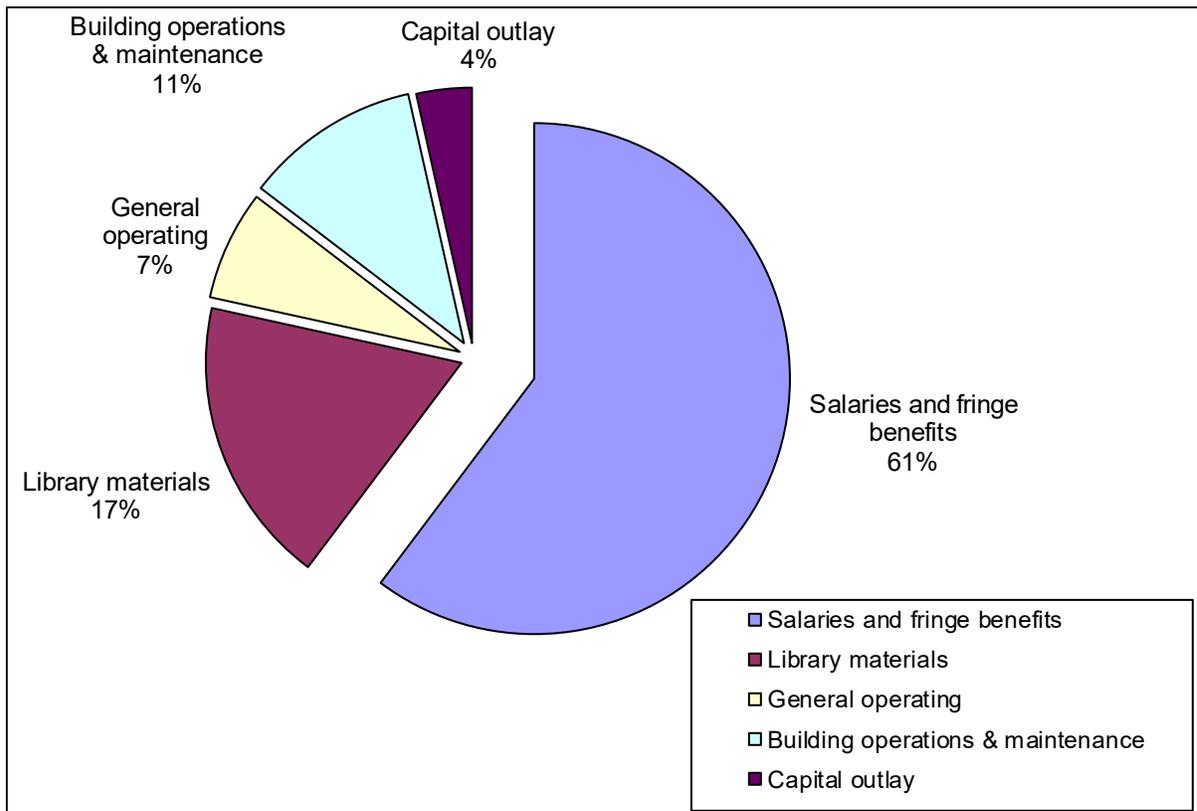
The charts in Figures 4 and 5 depict the percentages of revenue received from each of the General Fund’s major revenue sources and the percentages of expenditures incurred for each of the General Fund’s major expenditure areas.

**General Fund 2017 Revenues**  
**Figure 4**



## General Fund 2017 Expenditures

Figure 5



### ***“Budgetary Basis Statement” Analysis (Exhibits 5 and 6):***

The System also presents revenues and expenditures compared to the legally adopted budget for the major funds on Exhibits 5 and 6. Sometimes circumstances require the budget to be amended. Generally, budget amendments fall into one of three categories: 1) amendments to adjust estimates used to prepare the original budget once more precise information is available; 2) amendments to recognize new funding from external sources, such as grants; or 3) increases in appropriations that become necessary to maintain services. The General Fund Budget was amended to reclassify \$101,860 from building operations and maintenance to capital outlay in order to capitalize the costs of replacing the Columbia Public Library’s south stairs.

Some revenues and expenditures are more susceptible to projecting with reasonable precision and some are more easily controlled than others. With that in mind, the following summarizes General Fund variations that were significant on both a percentage basis and dollar amount basis between the final budget and the actual results for the General Fund (see Exhibit 5).

#### **Revenues:**

- **State Aid** – Actual state aid income was less than the final budget because of receiving less State Aid and Athletes and Entertainers Tax revenue than anticipated as part of the budget because in the first half of 2017, the Governor did not release some State Aid that was being withheld.

- **Investment Income** – Consistent with the requirements of U.S. generally accepted accounting principles, the System’s investments were adjusted to market value as of December 31, 2017. The City of Columbia sold investments at a loss during the year in order to manage risk in its portfolio. The City of Columbia will purchase new investments at a higher rate of return, and anticipates that the loss will be recouped over time.
- **Contributions** – Actual contributions were greater than the final budget because additional donations were received from the Foundation for furniture purchased in 2016.
- **Other** – Actual other revenue was less than expected because the transfer from the Debt Service Fund was less than expected because of the City of Columbia selling investments at a loss.

#### **Expenditures:**

- **Salaries and Fringe Benefits** – Actual expenditures were less than the final budget because of employee turnover.
- **Library Materials** – Actual expenditures exceeded the final budget because unbudgeted contributions were used for additional purchases (see contingency below for discussion on budgeting for the spending of contributions) and the materials donated by the Friends groups that were added and recorded to the System’s collections as in-kind expenditures.
- **General Operating** – Actual expenditures were less than the final budget because of lower amounts of expenditures than projected for personal vehicle mileage, supplies, employee conferences, and other expenses.
- **Building Operations and Maintenance** – Actual expenditures were less than the final budget because expenditures for maintenance and utilities were less than projected because of a mild winter, the CCPL repair project was re-appropriated into 2018, and maintenance agreements were less than anticipated during the budget process.
- **Contingency** – The System’s policy is to budget for contingencies so that expenditures can be made from unanticipated grants and contribution revenue, and so that emergency expenditures in the other budget categories can be made without exceeding the overall total budgeted expenditures. As a result, the System does not code actual expenditures to this category, but instead codes them to their appropriate categories, such as library materials (see above).

### **Capital Asset Discussion**

The System’s investment in capital assets as of December 31, 2017, totaled \$18,038,865, net of accumulated depreciation (see Figure 6). These assets include buildings, land, furniture, equipment and library collections. Additional information on the System’s capital assets can be found in Note 4 of the Notes to the Financial Statements.

Major capital asset transactions during the calendar year included the following:

- “Columbia library building” includes the cost of replacing and removing the south stairs of \$199,470 and \$121,759, respectively.
- Various furniture and equipment additions totaled \$156,981. Various items of furniture and equipment totaling \$111,290 were sold, discarded or removed from the records, most of which were fully depreciated.
- “Library collection” includes \$973,599 for the cost of materials purchased during the year and a reduction of \$976,687 for the cost of materials disposed of during the year.

## Capital Assets

Figure 6

	2017	2016
Land	\$ 1,702,265	\$ 1,702,265
Buildings and improvements	12,206,461	12,884,809
Furniture, fixtures, and equipment	1,079,502	1,167,902
Library collection	3,050,637	3,147,420
	<u>\$ 18,038,865</u>	<u>\$ 18,902,396</u>

## Debt Discussion

As of December 31, 2017, the System did not have any outstanding debt as a result of the Series 2014 bonds being defeased during the year. Additional information on the System's long-term liabilities can be found in Note 6 of the Notes to the Financial Statements.

## Economic Factors and Next Year's Budgets

The Director and staff believe the economic outlook to be stable for the upcoming year. The calendar year 2018 budgeted revenue is projected to increase at a rate sufficient to cover the 2018 budgeted operating expenditures and result in revenue remaining to be saved or to cover capital needs. This is consistent with the System's practice of saving for future needs. The System revisited its long-range strategic plan and will continue to implement the results in 2018. The Board of Trustees and staff of the System are committed to maintaining a strong financial position in order to provide excellent library services that meet the needs and reflect the desires of the taxpayers for years to come.

## Requests for Information

This report is designed to provide an overview of the System's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Daniel Boone Regional Library, 100 W. Broadway, Columbia, MO 65203.

**DANIEL BOONE REGIONAL LIBRARY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**ASSETS**

Current assets:	
Cash deposits	\$ 584,216
Investments	9,923,431
Receivables:	
Property taxes (net of allowance for uncollectible accounts \$126,434)	8,754,060
Interest	37,350
Other	4,329
Prepaid expenses	363,899
Inventory	<u>4,427</u>
Total current assets	<u>19,671,712</u>
Capital assets:	
Non-depreciable	1,702,265
Other, net of depreciation	<u>16,336,600</u>
Total capital assets	<u>18,038,865</u>
Total assets	<u><u>37,710,577</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	131,549
Salaries payable	28,184
Compensated absences and other benefits payable within one year	<u>291,757</u>
Total current liabilities	<u>451,490</u>
Long-term liabilities:	
Compensated absences and other benefits payable beyond one year	<u>340,771</u>
Total liabilities	<u><u>792,261</u></u>

**NET POSITION**

Net investment in capital assets	18,038,865
Restricted	
For grant and donation spending	36,210
Unrestricted	<u>18,843,241</u>
Total net position	<u><u>\$ 36,918,316</u></u>

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government:</b>					
Governmental activities:					
Current					
Program services:					
Salaries and fringe benefits	\$ 6,101,490	\$ -	\$ -	\$ -	\$ 6,101,490
Library materials	1,945,848	-	61,831	86,308	1,797,709
General operating	996,623	59,988	87,238	59,366	790,031
Building operations and maintenance	1,961,738	-	-	-	1,961,738
Debt service					
Interest	23,601	-	-	-	23,601
Bond fees	818	-	-	-	818
<b>Total</b>	<b>\$ 11,030,118</b>	<b>\$ 59,988</b>	<b>\$ 149,069</b>	<b>\$ 145,674</b>	<b>10,675,387</b>

## General revenues:

## Taxes:

Property taxes, levied for general purpose	10,347,622
Investment earnings	(70,189)
Other	42,616
<b>Total general revenues</b>	<b>10,320,049</b>

Change in net position (355,338)

Net position-beginning 37,273,654

Net position-ending **\$ 36,918,316**

**DANIEL BOONE REGIONAL LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General (DBRL)</u>	<u>Debt Service Fund (CLD)</u>	<u>Other Governmental Fund (CLD)</u>	
<b>ASSETS</b>				
Cash deposits	\$ 584,216	\$ -	\$ -	\$ 584,216
Investments	9,891,522	11,999	19,910	9,923,431
Receivables:				
Property taxes (net of allowance for uncollectible accounts \$126,434)	8,740,278	13,782	-	8,754,060
Interest	37,190	95	65	37,350
Other	4,329	-	-	4,329
Due from other funds	36,254	-	-	36,254
Prepaid expenditures	363,899	-	-	363,899
Inventories	4,427	-	-	4,427
Total assets	<u>\$ 19,662,115</u>	<u>\$ 25,876</u>	<u>\$ 19,975</u>	<u>\$ 19,707,966</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 131,549	\$ -	\$ -	\$ 131,549
Salaries payable	28,184	-	-	28,184
Due to other fund	-	16,279	19,975	36,254
Total liabilities	<u>159,733</u>	<u>16,279</u>	<u>19,975</u>	<u>195,987</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	<u>278,355</u>	<u>9,597</u>	<u>-</u>	<u>287,952</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonexpendable: inventories and prepaids	368,326	-	-	368,326
Restricted for:				
Grant and donation spending	36,210	-	-	36,210
Assigned to:				
Future capital outlay	5,591,141	-	-	5,591,141
Unassigned	<u>13,228,350</u>	<u>-</u>	<u>-</u>	<u>13,228,350</u>
Total fund balances	<u>19,224,027</u>	<u>-</u>	<u>-</u>	<u>19,224,027</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,662,115</u>	<u>\$ 25,876</u>	<u>\$ 19,975</u>	<u>\$ 19,707,966</u>

(continued)

See the accompanying notes to the financial statements.

**DANIEL BOONE REGIONAL LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	(continued)
Reconciliation:	
Fund balances of governmental funds	\$ 19,224,027
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements	18,038,865
Long-term liabilities for items such as compensated absences and general obligation bonds are not current obligations and therefore are not recorded in the governmental fund statements	(632,528)
Deferred inflows of resources in the governmental fund statements are considered earned revenues in the government-wide financial statements	<u>287,952</u>
Net position of governmental activities	<u><u>\$ 36,918,316</u></u>

See the accompanying notes to the financial statements.

**DANIEL BOONE REGIONAL LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General (DBRL)</u>	<u>Debt Service Fund (CLD)</u>	<u>Other Governmental Funds (CLD)</u>	
<b>REVENUES</b>				
Property taxes	\$ 10,318,434	\$ 106,340	\$ -	\$ 10,424,774
State aid	86,308	-	-	86,308
Grants	29,964	-	-	29,964
Investment earnings	(10,496)	(45,969)	(13,724)	(70,189)
Contributions	178,471	-	-	178,471
Copier income	13,764	-	-	13,764
Other	264,683	-	-	264,683
Total revenues	<u>10,881,128</u>	<u>60,371</u>	<u>(13,724)</u>	<u>10,927,775</u>
<b>EXPENDITURES</b>				
Current:				
Program services:				
Salaries and fringe benefits	6,125,597	-	-	6,125,597
Library materials	1,849,065	-	-	1,849,065
General operating	705,758	-	-	705,758
Building operations and maintenance	1,129,405	-	129,597	1,259,002
Capital outlay	356,450	-	-	356,450
Debt service:				
Principal	-	3,140,000	-	3,140,000
Interest	-	95,100	-	95,100
Bond fees	-	818	-	818
Total expenditures	<u>10,166,275</u>	<u>3,235,918</u>	<u>129,597</u>	<u>13,531,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	28,917	(28,917)	-	-
Excess (deficiency) of revenues over (under) expenditures	743,770	(3,204,464)	(143,321)	(2,604,015)
Fund balances-beginning	<u>18,480,257</u>	<u>3,204,464</u>	<u>143,321</u>	<u>21,828,042</u>
Fund balances-ending	<u>\$ 19,224,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,224,027</u>

(continued)

See the accompanying notes to the financial statements.

**DANIEL BOONE REGIONAL LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	(continued)
Reconciliation:	
Net changes in fund balances - total governmental funds	\$ (2,604,015)
Amounts reported in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay and library material costs in excess of capitalization threshold	1,330,050
Depreciation	(1,866,513)
Loss on disposal of equipment and undepreciated cost of disposed library collections	(327,068)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Change in deferred inflows of resources	(123,398)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Amount of the repayment	3,140,000
Interest on bond debt is reported on the modified accrual basis in the governmental funds, but on the accrual basis in the government-wide statements	
	31,402
Amortization of deferred outflows for the deferred charge on refunding is not recorded in the governmental funds, but is recorded as an expense in the government-wide statements	
	40,097
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in compensated absences payable	<u>24,107</u>
Change in net position of governmental activities	<u>\$ (355,338)</u>

See the accompanying notes to the financial statements.

**DANIEL BOONE REGIONAL LIBRARY  
GENERAL FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET TO ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget- Over (Under)
<b>REVENUES</b>				
Property taxes	\$ 9,788,910	\$ 9,788,910	\$ 10,289,750	\$ 500,840
State aid	141,380	141,380	86,308	(55,072)
Grants	30,000	30,000	29,964	(36)
Investment income	148,500	148,500	(10,496)	(158,996)
Contributions	120,000	120,000	178,471	58,471
Copier income	14,100	14,100	13,764	(336)
Other	280,185	280,185	264,683	(15,502)
Total revenues	<u>10,523,075</u>	<u>10,523,075</u>	<u>10,852,444</u>	<u>329,369</u>
<b>EXPENDITURES</b>				
Current:				
Program services:				
Salaries and fringe benefits	6,359,143	6,359,143	6,125,597	(233,546)
Library materials	1,753,425	1,753,425	1,849,065	95,640
General operating	754,527	754,527	705,758	(48,769)
Building operations and maintenance	1,413,692	1,311,832	1,129,405	(182,427)
Capital outlay	238,829	340,689	356,450	15,761
Contingency	150,000	150,000	-	(150,000)
Total expenditures	<u>10,669,616</u>	<u>10,669,616</u>	<u>10,166,275</u>	<u>(503,341)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (146,541)</u>	<u>\$ (146,541)</u>	686,169	<u>\$ 832,710</u>
Transfers in from other funds			28,917	
Reconciliation for property taxes reported on the cash basis for the budget to the modified accrual basis for the financial statements:				
Change in the property tax accrual, modified accrual basis			<u>28,684</u>	
Excess revenues over expenditures, modified accrual basis (Exhibit 4)			<u>\$ 743,770</u>	

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY  
DEBT SERVICE FUND  
(COLUMBIA LIBRARY DISTRICT)  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET TO ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual Amounts	Variance from Final Budget- Over (Under)
<b>REVENUES</b>			
Property taxes	\$ 1,540,560	\$ 1,433,916	\$ (106,644)
Investment income	30,400	(45,969)	(76,369)
Total revenues	1,570,960	1,387,947	(183,013)
<b>EXPENDITURES</b>			
Current:			
Principal	3,140,000	3,140,000	-
Interest and fees	96,000	95,918	(82)
Total expenditures	3,236,000	3,235,918	(82)
Excess (deficiency) of revenues over (under) expenditures	(1,665,040)	(1,847,971)	(182,931)
<b>OTHER FINANCING SOURCES (USES)</b>			
Payment to refunded bond escrow agent	(160,397)	-	131,480
Excess (deficiency) of revenues over (under) expenditures	\$ (1,825,437)	(1,847,971)	\$ (51,451)
Transfers out to other funds		(28,917)	
Reconciliation for property taxes reported on the cash basis for the budget and on the modified accrual basis for the financial statements:			
Change in the property tax accrual, modified accrual basis		(1,327,576)	
Deficiency of revenues under expenditures, modified accrual basis (Exhibit 4)		\$ (3,204,464)	

See the accompanying notes to the basic financial statements.

## **DANIEL BOONE REGIONAL LIBRARY**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization:* The Daniel Boone Regional Library (the System) consists of the political subdivisions of the Boone County Library District (BCLD), Callaway County Library District (CCLD), and Columbia Library District (CLD), which have approved a regional library contract under the authority of Revised Statutes of Missouri (RSMo) 70.210. The System is headquartered in Columbia, Missouri, with other locations in Fulton and Ashland, Missouri, as well as additional coverage provided by the System's bookmobiles.

The System's purpose is to plan, develop, operate and provide a library system for the use and benefit of the residents of the above districts and to fulfill and provide to the extent possible those facilities, programs, materials and services of public libraries.

#### **Reporting Entity**

There are no entities related to the System that are reported in the System's financial statements as component units under GASB Statement No. 61. The related organizations, the Foundation of the Daniel Boone Regional Library, the Friends of the Callaway County Public Library, the Friends of the Columbia Public Library, and the Friends of the Southern Boone County Public Library generously raise funds for the System, but these organizations' financial positions are not considered individually significant to the overall financial position of the Daniel Boone Regional Library or its changes in net position and, therefore, are not included as part of the reporting entity. All of these organizations are separate not-for-profit organizations which exist to assist the Daniel Boone Regional Library in completion of its mission.

#### **Basis of Presentation**

The System's financial statements include both government-wide financial statements (Exhibits 1 and 2), reporting the System as a whole, and governmental fund financial statements (Exhibits 3-6), reporting the System's major funds.

#### *Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the System as a whole. The System's activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each program of the System. Expenses are specifically associated with a program and are clearly identifiable with a particular function. Program revenues include charges paid by the recipients of the goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

The government-wide focus is on the sustainability of the System as an entity and on the change in the System's net position resulting from the current year's activities.

#### *Governmental Fund Financial Statements*

The governmental fund financial statements report detailed information about the System. 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.

The major governmental funds of the Library are described below:

#### *General Fund*

The General Fund is the primary operating fund of the System. It accounts for all financial resources of the general governmental fund, except for those required to be accounted for in a different fund.

#### *Debt Service Fund*

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for debt issued for CLD building improvements. The CLD Board of Trustees controls the resources of this fund. As of the date of this report, this fund has been closed.

In addition to the major governmental funds, the System has the following non-major fund:

#### *Other Governmental Fund*

The Other Governmental Fund is the Building Fund, a special revenue fund of the CLD used to account for expenditures of a tax that expired in 1998 that was restricted for capital and maintenance expenditures for the Columbia Library District building. As of the date of this report, this fund has been closed.

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting, such as modified accrual or accrual, pertains to the timing for recognition in the financial statements of transactions or events.

#### *Government-wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the differences between the government-wide statements and the governmental fund statements.

#### *Governmental Fund Financial Statements*

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become 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. For this purpose, the System considers revenues to be available if they are collected within 60 days of the current fiscal year-end. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Allocations of cost, such as depreciation or amortization, are not recognized in the governmental funds.

## **Budgets**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles, except for property taxes, which are budgeted on a cash receipts basis. An annual budget is prepared in accordance with Missouri state statutes for the General Fund and approved by the System's Board of Trustees. The CLD Board of Trustees adopts annual budgets for the Debt Service Fund and the Other Governmental Fund ("Building Fund"). All appropriations lapse at calendar year end.

The budget process begins with management conducting budget work sessions. A preliminary budget is presented to the finance committee. The committee then submits the budget to the Board of Trustees of the individual library district boards for approval prior to their votes to set their tax levies. By September 1, each individual library board comprising DBRL sets the tax levy and submits the levy to the Missouri State Auditor to check compliance with state statutes. As soon as possible, usually by the regular November meeting, the final budgets are presented to the Board of Trustees. The Board of Trustees can approve budget amendments on an as needed basis. Management must have a budget amendment approved by the Board of Trustees to adjust budget categories in excess of ten percent of the category, not including donation spending.

Property tax revenue is budgeted based upon the previous year's assessed valuations. For purposes of the Statement of Revenues and Expenditures – Budget and Actual, property taxes are recognized when cash is received.

Within the budget for the General Fund, activities are classified as salaries and fringe benefits, library materials, general operating, building operations and maintenance, contingency, and capital outlay. The Director has the authority to amend the budget line items which make up the budget classifications as long as the total budget classification is not exceeded by more than ten percent, excluding grant and donation spending, and the expenditure grand total does not exceed the total budgeted expenditures.

The General Fund budget was amended during the year ended December 31, 2017.

### **Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**A. *Cash deposits***

The System's cash deposits are considered to be cash on hand, demand deposits and investments that can be converted to cash.

**B. *Investments***

The System's investments are reported at fair value.

**C. *Inventories and prepaid items***

Inventories are valued at cost using the first-in/first out (FIFO) method and represents food for sale at the CPL Percolation Desk (its food and beverage kiosk) and promotional items and supplies for sale at all locations. The cost of such inventories is recorded as assets when purchased and recognized as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as assets when purchased and recognized as expenditures/expenses when consumed.

**D. *Capital assets***

Capital assets are reported in the government-wide financial statements but not in the governmental fund financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition

value on the date donated. Capital assets are defined as land, buildings, library materials, furniture, and equipment. The System’s policy is to capitalize items that individually cost more than \$500 and have a useful life of more than three years. However, library collection assets are typically purchased in groups and capitalized on that basis. Library collection assets include books, CDs, DVDs, and playaways.

The System’s collections are reported as library material expenditures in the fund that finances their acquisition and are capitalized in the government-wide statements at their estimated historical cost. The System follows the policy of recording collection additions and retirements using an estimated cost for each category group that approximates the average weighted list price less the System’s typical discount from the list price for the category.

Land is not depreciated. All other capital assets of the System are depreciated using a straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Life In Years</u>
Buildings and improvements	10-50
Equipment, furniture, and fixtures	5-20
Computer equipment	3-10
Library vehicles	7-15
Library collection	7

***E. Compensated absences***

System employees receive compensation for vacation and sick leave based on their length of employment. Earned and unused vacation is accrued as earned subject to any limitations provided by the System’s personnel policies. In addition, employees who have attained 25 years of service or who retire at age 65 or older are entitled to payment for one-half of their accumulated unused sick leave (up to a maximum of 960 hours) upon termination. In accordance with GASB Statement No. 16, all employer-related costs for vacation and sick leave are accrued and recorded as a liability for compensated absences in the government-wide financial statements.

***F. Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The System does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System has one item that qualifies for reporting in this category – unavailable revenue from property taxes. Unavailable property tax revenue is reported only in the governmental funds Balance Sheet because it arises only under the modified accrual basis of accounting. This is property tax revenue that is considered unavailable under the modified accrual basis of accounting because it is collected more than 60 days after the end of the fiscal year. This property tax revenue is deferred and recognized as an inflow of resources when the amount becomes available.

### ***G. Net position***

Net position represents the residual of all other elements presented in the government-wide Statement of Net Position. Net position is classified in three components:

- Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted – Consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. A portion of the System’s net position is restricted for grant and donation spending.
- Unrestricted – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the System will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the System’s practice to consider restricted net position to have been depleted before unrestricted net position is applied.

### ***H. Fund balance***

Fund balance represents the residual of all other elements presented in the governmental funds balance sheet. Governmental fund balances are reported in categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance is displayed in five components:

- Nonspendable – This consists of amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – This consists of amounts for which constraints are placed on the use of resources by the resource providers, through constitutional or contractual provisions or by enabling legislation. The General Fund balance is restricted for grant and donation spending.
- Committed – This consists of amounts that can be used for the specific purposes determined by a formal action of the System’s highest level of decision making authority (the Board of Trustees) by the end of the fiscal year. The System did not have any committed fund balance at December 31, 2017.
- Assigned – This consists of amounts that are intended to be used by the System for specific purposes but do not meet the criteria to be classified as restricted or committed. The General Fund balance is assigned for amounts that are intended to be used for future capital improvement of buildings owned by the districts; future equipment, furniture, and similar capital outlay; and implementation of the long-range strategic plan. These amounts are intended to be used, but are not restricted or committed, for these specific purposes.
- Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund.

Sometimes the System will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the System’s practice to deplete restricted fund balance before using any of the components of unrestricted fund balance.

## Revenues

### **I. Program revenues**

Amounts reported as program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by the System and 2) grants and contributions that are restricted to meeting operational or capital requirements of the System. All taxes are reported as general revenues rather than as program revenues.

### **J. Property taxes**

Property taxes are levied for the three library districts by Boone and Callaway County Assessors in September based on the assessed valuation of the taxable property as of the preceding January 1. Taxes are due and payable by November 1 following the levy date and become delinquent after December 31, after which the applicable property is subject to a lien for any unpaid taxes, and penalties and interest are also assessed. Callaway County bills and collects property taxes for the Callaway County Library District. Boone County bills and collects property taxes for the Boone County Library District and the Columbia Library District and remits the property taxes collected for the Columbia Library District to the City of Columbia. The City of Columbia and Boone County officials report collections to the System and deposit collections into custody accounts for the individual library districts in the month subsequent to the month collected by the city and the county. Callaway County officials report collections to the System and deposit collections into the System's operating bank account in the month subsequent to the month collected by the county. For its budget purposes, the System reports property taxes as revenue when deposited into the custody accounts. Accordingly, most of the property tax revenue recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is from the receipt of taxes assessed for the previous calendar year. For the government-wide and the modified accrual basis fund financial statements, property taxes are reported as revenue in the year for which the tax was assessed, except that for the modified accrual basis financial statements, revenue recognized is limited to taxes received within 60 days after the fiscal year-end using the measurable and available criteria.

### **K. Grants**

Reimbursement-type grants are recorded as intergovernmental receivables and revenue when the related expenditures are incurred.

## Insurance

The System is insured by private carriers for property damage, personal injury, and public official liability. The System has a blanket crime policy for all employees.

Judgments and claims in excess of policy limits are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. There have been no judgments or claims in excess of policy limits for the past three fiscal years. Additionally, the System has had no significant reductions in coverage in the last three years.

The System provides medical, dental, life and workers' compensation insurance coverage for employees through a private insurance carrier.

## Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## 2. CASH DEPOSITS AND INVESTMENTS

Missouri statutes and legal opinions authorize the System to invest in certain types of investments including collateralized public deposits (certificates of deposit), State of Missouri bonds, bonds of the United States, U.S. Treasury and agency securities, commercial paper, banker's acceptances, repurchase agreements and other investments backed by the United States government.

The System invests its cash in savings, repurchase agreements backed by U.S. Treasury securities, or federal agency discount notes, certificates of deposit and in external investment pools held by Boone County and the City of Columbia.

Securities underlying a repurchase agreement, which consist of U.S. Treasury securities or federal agency discount notes, must have a market value of at least 102% of the cost of the repurchase agreement. Securities underlying repurchase agreements are held as collateral at the Federal Reserve Bank.

### Cash

Cash deposits in financial institutions had a bank balance of \$754,635 and a carrying amount of \$583,216 at December 31, 2017. Custodial risk for deposits is the risk that, in the event of a financial institution failure, the System's deposits may not be returned. The System's investment policy authorizes the Director, who is the System's chief administrative officer, to establish bank accounts with little or no custodial risk. The Director has established four interest bearing checking, savings or money market accounts. These accounts serve to ensure that all the System's assets are fully invested each day. The System requires its cash deposits and investments, other than external investment pools, to be fully collateralized by a combination of FDIC insurance and an irrevocable letter of credit. Obligations that may be pledged as collateral are governed by state statute and include U.S. government and government agency bonds and securities; general obligation bonds from any of the fifty states; general obligation bonds of any Missouri county, certain cities and special districts; revenue bonds of certain Missouri agencies and irrevocable standby letters of credit. Obligations were secured by an irrevocable standby letter of credit. The total bank balance of \$754,635 at December 31, 2017, was insured by the FDIC for \$250,327. The remaining total bank balance was secured by an irrevocable standby letter of credit.

Bank deposits	\$ 583,216
Cash on hand	<u>1,000</u>
Total cash	<u><u>\$ 584,216</u></u>

### Investments

DBRL and CLD have investment policies that state investments will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to minimize credit risk and interest rate risk.

The System attempts to minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by participating in investment pools with Boone County and the City of Columbia and short-term investments for the other accounts so that cash requirements for ongoing operations can be met without having to sell securities on the open market prior to maturity. Because of the short-term nature of the investments, including the underlying investments in the external investment pools, they present insignificant risk of changes in value because of changes in interest rates. However, during 2017, the City of Columbia sold some securities on the open market prior to maturity, resulting in investment losses.

The System minimizes the concentration of credit risk loss by limiting its investments to the types of securities allowed by state statute; pre-qualify financial institutions, brokers/dealers, intermediaries, and advisors as well as requiring Boone County and the City of Columbia to pre-qualify; and requiring Boone County and the City of Columbia to diversify the investment pool's portfolio.

As of December 31, 2017, the underlying assets of the Boone County Investment Pool were invested as follows:

- 84% in U.S. agency securities; and
- 16% in certificates of deposit.

U.S. agency securities were rated Aaa and certificates of deposit were rated P-1 by Moody's Investor Services as of December 31, 2017. Nine U.S. agency securities were unrated.

As of December 31, 2017, the underlying assets of the City of Columbia Investment Pool were invested as follows:

- 60% in U.S. agency securities; and
- 40% in a money market account.

U.S. agency securities were rated AAA except for one U.S. agency security rated D by Moody's Investor Services as of December 31, 2017. Thirty-eight of the U.S. agency securities and the money market account were unrated.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Boone County external investment pool assets are held by financial institutions in the name of Boone County, Missouri and the City of Columbia external investment pool assets are held by the financial institutions in the name of the Boone County and City of Columbia, Missouri.

As of December 31, 2017, the System had the following investment balances:

Investment in external investment pools:

Boone County	\$ 9,516,665
City of Columbia	<u>406,766</u>
	<u><u>\$ 9,923,431</u></u>

As of December 31, 2017, the System had the following investment balance in the Boone County Investment Pool:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
General Fund	<u>\$ 2,734,811</u>	<u>\$ 6,781,854</u>	<u>\$ -</u>	<u>\$ 9,516,665</u>	<u>\$ 9,516,665</u>

As of December 31, 2017, the System had the following investment balance in the City of Columbia Investment Pool:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
General Fund	\$ 149,943	\$ 26,240	\$ 198,674	\$ 374,857	\$ 374,857
Building Fund	7,964	1,394	10,552	19,910	19,910
Debt Service Fund	4,800	840	6,359	11,999	11,999
	<u>\$ 162,707</u>	<u>\$ 28,474</u>	<u>\$ 215,585</u>	<u>\$ 406,766</u>	<u>\$ 406,766</u>

As the Building and Debt Service Funds were closed during 2017, these funds' investment balances were included in the interfund payable to the General Fund at yearend, as discussed in Note 5.

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified with Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified with Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The System's assets are invested in the Boone County and City of Columbia Investment Pools, which are unitized and traded at net asset value, similar to a mutual fund. The System is able to invest in and withdraw from the pools at the current calculated price, based on the fair value of the underlying pool investments. As a result, the System's investments in the pools are considered to be Level 2 investments.

The System's allocable ownership of the underlying investment securities in the Boone County pool as of December 31, 2017, is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Boone County Investment Pool			
Certificates of deposit	\$ -	\$ 1,522,666	\$ -
U.S. agency securities	-	7,993,999	-
Total Boone County Investment Pool	<u>\$ -</u>	<u>\$ 9,516,665</u>	<u>\$ -</u>
City of Columbia Investment Pool			
Money Market Account	\$ -	\$ 162,706	\$ -
U.S. agency securities	-	244,060	-
Total City of Columbia Investment Pool	<u>\$ -</u>	<u>\$ 406,766</u>	<u>\$ -</u>

### 3. PROPERTY TAXES

Property taxes are levied, collected and reported as described in Note 1. The property tax rates per \$100 of assessed valuation for 2017 for each of the respective taxing districts were as follows:

	<u>General</u>	<u>Debt Service</u>
Columbia Library District	\$ 0.3114	\$ -
Boone County Library District	0.3091	-
Callaway County Library District	0.2000	-

The assessed valuations for property upon which the fiscal 2017 levies were based were as follows:

Columbia Library District	\$ 806,947,601
Boone County Library District	1,942,234,734
Callaway County Library District	<u>856,948,073</u>
	<u>\$3,606,130,408</u>

Property tax revenue from the individual taxing districts for the General Fund for the year ended December 31, 2017 is as follows:

Modified accrual basis fund financial statements:

	<u>Actual</u>
Columbia Library District	\$ 2,576,582
Boone County Library District	6,028,575
Callaway County Library District	<u>1,713,277</u>
	<u>\$ 10,318,434</u>

Non-GAAP budgetary basis financial statements:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Columbia Library District	\$ 2,485,600	\$ 2,600,036	\$ 114,436
Boone County Library District	5,759,180	6,067,602	308,422
Callaway County Library District	<u>1,544,130</u>	<u>1,622,112</u>	<u>77,982</u>
	<u>\$ 9,788,910</u>	<u>\$ 10,289,750</u>	<u>\$ 500,840</u>

#### 4. CAPITAL ASSETS

A summary of the changes in capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Columbia land	\$ 1,491,805	\$ -	\$ -	\$ 1,491,805
Callaway land	104,380	-	-	104,380
SoBoCo land	106,080	-	-	106,080
Total capital assets not being depreciated	<u>1,702,265</u>	<u>-</u>	<u>-</u>	<u>1,702,265</u>
Capital assets being depreciated				
Columbia library building	24,579,189	199,470	(121,759)	24,656,900
Callaway library building	1,970,624	-	-	1,970,624
Leasehold improvements	21,802	-	-	21,802
Automotive equipment	460,806	-	-	460,806
Furniture and equipment	3,317,349	156,981	(102,192)	3,372,138
Books and materials	7,515,512	973,599	(976,687)	7,512,424
SIRSI circulation control system	137,960	-	(9,098)	128,862
Total capital assets being depreciated	<u>38,003,242</u>	<u>1,330,050</u>	<u>(1,209,736)</u>	<u>38,123,556</u>
Accumulated depreciation				
Columbia library building	(12,472,441)	(776,050)	78,531	(13,169,960)
Callaway library building	(1,209,012)	(56,284)	-	(1,265,296)
Leasehold improvements	(5,353)	(2,256)	-	(7,609)
Automotive equipment	(349,606)	(17,695)	-	(367,301)
Furniture and equipment	(2,314,579)	(212,250)	104,834	(2,421,995)
Books and materials	(4,368,092)	(792,998)	699,303	(4,461,787)
SIRSI circulation control system	(84,028)	(8,980)	-	(93,008)
Total accumulated depreciation	<u>(20,803,111)</u>	<u>(1,866,513)</u>	<u>882,668</u>	<u>(21,786,956)</u>
Total capital assets being depreciated, net	<u>17,200,131</u>	<u>(536,463)</u>	<u>(327,068)</u>	<u>16,336,600</u>
Capital assets, net	<u>\$ 18,902,396</u>	<u>\$ (536,463)</u>	<u>\$ (327,068)</u>	<u>\$ 18,038,865</u>

Depreciation expense has been allocated in the Statement of Activities among program expenses as follows:

Library materials	\$ 792,998
General operating	238,925
Building operations and maintenance	834,590
	<u>\$ 1,866,513</u>

## 5. INTERFUND BALANCES AND TRANSFERS

In the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as “due to/from other funds” (i.e. the current portion of an interfund loan). The interfund activity is not reported on the government-wide financial statements. The composition of interfund balances as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental (Building) Fund	\$ 16,279
General Fund	Debt Service Fund	19,975
		\$ 36,254

These interfund balances are related to the closing of the Other Government (Building) and Debt Service Funds as of December 31, 2017. As of the date of this report, these balances have been settled, and these funds have been closed.

In addition, the Debt Service Fund transferred \$28,917 to the General Fund related to the extinguishment of the general obligation bonds during 2017.

## 6. LONG-TERM LIABILITIES

### *General Obligation Bonds*

In 2005, the Columbia Library District issued its 2005 general obligation bonds which, along with remaining unspent proceeds from its 1999 general obligation bonds, were used to refund the 1999 bonds. The 1999 bonds were issued to finance the Columbia Public Library building project.

On November 13, 2014, the District issued \$4,685,000 of general obligation bonds to current refund \$4,730,000 remaining balance of its Series 2005 bonds. The Series 2014 bonds were issued at a premium over par of \$238,256.

As a result of the November 13, 2014 current refunding, the reacquisition price exceeded the net carrying amount of the old debt by \$109,950. This amount was being netted against the new debt and amortized over the remaining life of the refunding debt.

The Series 2014 bonds were repaid from annual tax assessments on property within the Columbia Library District. On September 29, 2017, the Series 2014 bonds were defeased by depositing \$1,624,000 into an irrevocable trust to pay the remaining principal and interest payments due on March 1, 2018.

*Changes in long-term liabilities:*

Changes in all long-term liabilities during 2017 were as follows:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Amount due within one year
Accrued compensated absences	\$ 656,635	\$ 783,995	\$ (808,102)	\$ 632,528	\$ 291,757
General obligation bonds:					
Series 2014	3,140,000	-	(3,140,000)	-	-
Premium	74,455	-	(74,455)	-	-
Total	<u>\$ 3,871,090</u>	<u>\$ 783,995</u>	<u>\$ (4,022,557)</u>	<u>\$ 632,528</u>	<u>\$ 291,757</u>

Accrued compensated absences are paid by the General Fund.

## 7. RETIREMENT PLAN

The System offers a defined contribution retirement plan to all employees who have completed at least one month of employment. Employees may contribute up to 100% of gross salary, provided their deferral does not exceed the IRS mandated maximum; the System matches up to 6% of an employee's contribution. Unless the employee opts out or defers at a different percentage of compensation, employees are automatically enrolled using 2% of gross salary deferral rate. In addition, the System has a Roth account option that allows for post-tax contributions.

Employees are fully vested after six years of participation in the plan. The employer's contributions were \$218,048 for 2017.

## 8. LEASE

The System has a long-term lease for its Southern Boone County library facility. Future minimum lease payments as of December 31, 2017 are as follows:

2018	\$ 97,294
2019	102,440
2020	102,440
2021	102,440
2022	81,098
	<u>\$ 485,712</u>

The System has the option of renewing the lease for up to two additional five-year periods at a monthly rental of \$8,667. Lease expense totaled \$95,940 for 2017.

**9. ASSIGNED FUND BALANCE**

General Fund assigned fund balance consists of amounts that are intended to be used by the System for specific purposes but do not meet the criteria to be classified as restricted or committed fund balance (see Note 1 for an explanation of the components of fund balances). At December 31, 2017, the System intends that General Fund assigned fund balance will be used for the following specific purposes:

General Fund:

Future capital improvement of buildings owned by districts	\$ 2,715,000
Future equipment, furniture and similar capital outlay	1,820,520
Implementation of the long-range strategic plan	<u>1,055,621</u>
Total assigned General Fund balance	<u><u>\$ 5,591,141</u></u>

**10. COMMITMENTS**

The System has the following contracts with remaining commitments as of December 31, 2017:

	<u>Approximate Amounts</u>	
	<u>Total Contract</u>	<u>Remaining Commitment</u>
Columbia Public Library Parking Lot Project	<u>\$ 169,707</u>	<u>\$ 16,971</u>

**11. RELATED PARTY TRANSACTIONS**

The System has transactions with the related organizations of the Foundation of the Daniel Boone Regional Library, the Friends of the Callaway County Public Library, the Friends of the Columbia Public Library, and the Friends of the Southern Boone County Public Library. In 2017, the System received a total of \$166,251 in contributions and materials from these organizations and was reimbursed \$5,039 from these organizations for its expenditures.

**12. TAX ABATEMENTS**

The System has not entered into any tax abatement agreements. However, the System’s member districts are impacted by tax abatement agreements entered into by Boone County, Callaway County and City of Columbia. These governmental entities have tax abatement agreements with twenty-four entities that impact the System. The System impact as of December 31, 2017 is listed below.

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year	Financing Method
Columbia Laboratory expands operations	50	7,418	Chapter 100 Financing
Columbia Hotel redevelopment	100	10,657	Tax Increment Financing
Food Manufacturing	75	12,541	Chapter 100 Financing
Redevelopment of Fulton's Southside	100	6,012	Tax Increment Financing
Redevelopment of Fulton Strip Mall	100	271	Tax Increment Financing

Each of the above agreements is negotiated under Missouri state law.

Boone County has approved two other Chapter 100 projects for a food processing and manufacturing operations but no agreements have been reached as of December 31, 2017.

*Chapter 100 Financing* – In Missouri, cities and counties (“Municipality”) can issue industrial development revenue bonds (“Revenue Bonds”) pursuant to Chapter 100 of the Missouri Revised Statutes (“RSMo”), as amended (the “Act”), in order to encourage industrial development projects for private companies. Under the Act, the Municipality may issue Revenue Bonds to finance the costs of the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants, including the real estate either within or without the limits of such Municipality, buildings, fixtures and machinery (the “Project”). There are two primary reasons to issue Revenue Bonds under the Act. First, if the Revenue Bonds are tax-exempt, it may be possible to issue the Revenue Bonds at lower interest rates than those obtained through conventional financing. Second, even if the Revenue Bonds are not tax-exempt, ad valorem taxes levied on the Revenue Bond financed Project may be abated so long as the Revenue Bonds are outstanding.

In a typical Chapter 100 transaction, the Municipality holds fee title to the Project once the Revenue Bonds are issued and leases the Project to the private company. Because the Municipality is the legal owner of the Project while the Revenue Bonds are outstanding, the Project is exempt from ad valorem taxation and personal property taxation while the Revenue Bonds are outstanding. The Municipality and the private company may determine that partial tax abatement – but not full tax abatement is desirable. In this case, the Municipality and the private company will enter into an agreement providing for the company to make “payments in lieu of taxes” to the Municipality and other taxing jurisdictions levying property taxes where the Project is located. The amount of payments in lieu of taxes to be paid by the private company is negotiable to any amount. The payments in lieu of taxes are payable by December 31 of each year and are distributed to the Municipality and to each taxing jurisdiction levying property taxes where the Project is located in the same manner and proportion as the property taxes would otherwise be distributed to such taxing jurisdictions

under Missouri law. Section 100.800 of the RSMo does provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

*Tax Increment Financing* - Pursuant to the Real Property Tax Increment Allocation Act, Sections 99.800 through 99.865, RSMo, as amended (the “TIF Act”), cities and counties (“Municipality”) may adopt a redevelopment plan (“TIF plan”) that provides for the redevelopment of a “blighted area”, “conservation area” or “economic development area,” located within the boundaries of the Municipality. The theory of TIF financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase.

When the TIF plan is adopted, the assessed valuation of the real property in the redevelopment area is frozen at the current base level prior to construction of improvements. The owner of the property continues to pay property taxes at the base level and such property tax revenues are distributed to the taxing jurisdictions levying property taxes in the redevelopment area. As the property is improved, the assessed value of the real property in the redevelopment area increases above the base level. By applying the property tax levy of all taxing jurisdictions having taxing power within the redevelopment area to the increase in assessed valuation of the improved real property over the base level, a “tax increment” is produced. The tax increments, referred to as “payments in lieu of taxes,” are paid by the owner of the real property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the Municipality and deposited in a special allocation fund. Either the Municipality or TIF commission may issue bonds or other obligations under the TIF Act which are payable from moneys in the special allocation fund. The bonds or other obligations must mature within 23 years. The bonds or other obligations are not a general obligation of the Municipality and, accordingly, do not count toward the Municipality’s debt limitation.

Effective August 28, 2014, if the voters in a taxing jurisdiction approve an increase to the taxing jurisdiction’s property tax levy, then the additional revenues generated within an existing redevelopment project area from the voter approved increase to the property tax levy will not be subject to capture without the taxing jurisdiction’s consent.

### **13. SUBSEQUENT EVENT**

Two of DBRL’s member districts, the Boone County Library District (BCLD) and the Columbia Library District (CLD), unified into a single entity, the Columbia and Boone County Library District (CBCLD) on January 1, 2018. As of January 1, 2018, the System consist of CBCLD and the Callaway County Library District (CCLD) under an approved library contract under the authority of the Revised Statutes of Missouri (RSMo) 70.210.