

**REPORT OF
DANIEL BOONE REGIONAL LIBRARY
DECEMBER 31, 2018**

DANIEL BOONE REGIONAL LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Daniel Boone Regional Library

We have audited the accompanying financial statements of the governmental activities and the major fund of the Daniel Boone Regional Library (the System) as of and for the year ended December 31, 2018, 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 Statement of Revenues and Expenditures of the System's governmental fund as listed in the table of contents for the year ended December 31, 2018, 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 and the major fund of the System as of December 31, 2018, 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 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.

William K. Kelly, LLC

May 7, 2019

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, 2018. The System consists of two political subdivisions: the Callaway County Library District and the Columbia and Boone County 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.

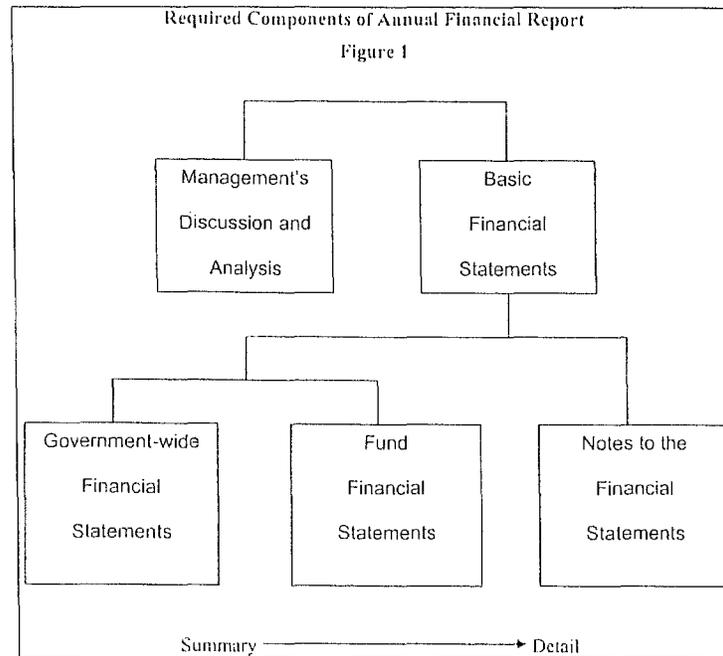
Financial Highlights

- The System's total assets exceeded its liabilities on December 31, 2018 by \$37,335,218 (see Exhibit 1). This represented an increase of \$416,902 from the net position at December 31, 2017 (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 \$17,261,901 and funds of \$17,795 that can only be used for grant and donation spending. Included in unrestricted net position are 2018 property taxes that, although due as of December 31, 2018, were not collected and, as such, will not be expended until 2019.
- The System's total liabilities decreased (\$245,349) from the prior year as shown in Figure 2.
- As of December 31, 2018, the System's only governmental fund, its General Fund, reported a fund balance of \$20,031,178, an increase of \$807,151 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 \$14,616,741, which includes \$9,390,013 in property taxes receivable.
- Within the System's General Fund, total actual revenues were \$120,263 more than the 2018 final budget, while total actual expenditures were \$459,288 less than the 2018 final budget (see Exhibit 5).

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 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 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 basis of accounting. 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 paid time off).

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 statement” (Exhibit 5).

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 basis of accounting 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 one individual governmental fund, its General Fund.

The System adopts an annual appropriated budget for its General Fund. The “budgetary basis statement” for the General Fund (Exhibit 5) demonstrates how the System complied with the year’s approved budget. The “budgetary basis statement” is presented using the same classifications as those used in the legal budget document.

The annual budget shown in the “budgetary basis statement” is prepared as described in Note 1. This budget is 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 basis of accounting. Because the cash basis was used to budget property tax revenue, Exhibit 5 includes a reconciliation that illustrates the difference between this statement 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 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 2018 and 2017.

The System's Net Position

Figure 2

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Current assets	\$20,620,229	\$19,671,712
Capital assets, net of depreciation	17,261,901	18,038,865
Total assets	<u>37,882,130</u>	<u>37,710,577</u>
Liabilities:		
Short-term liabilities outstanding	546,912	451,490
Long-term liabilities outstanding	-	340,771
Total liabilities	<u>546,912</u>	<u>792,261</u>
Net position:		
Net investment in capital assets	17,261,901	18,038,865
Restricted:		
For grant and donation spending	17,795	36,210
Unrestricted	<u>20,055,522</u>	<u>18,843,241</u>
Total net position	<u>\$37,335,218</u>	<u>\$36,918,316</u>

Net Position:

The System's assets exceeded its liabilities by \$37,335,218 as of December 31, 2018, an increase in the System's net position of \$416,902 during 2018 (see Figures 2 and 3). Of the net position, \$17,261,901 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 \$17,795 is the residual equity for grant and donation spending. The unrestricted net position of \$20,055,522 includes \$9,390,013 in property tax revenues not yet received by the System from the counties' tax collectors for 2018 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 decrease in liabilities due to a change in the System's compensated absences policy, amounts are comparable to the prior year.

The System's Changes in Net Position

Figure 3

	Governmental Activities			
	2018		2017	
Revenues:				
Program revenues:				
Charges for services	\$ 58,989	0.5%	\$ 59,988	0.6%
Operating grants and contributions	150,163	1.3%	149,069	1.4%
Capital grants and contributions	182,742	1.6%	145,674	1.4%
General revenues:				
Property taxes	10,730,262	92.7%	10,347,622	96.9%
Investment income (loss)	276,669	2.4%	(70,189)	-0.7%
Other	179,895	1.6%	42,616	0.4%
Total revenues	11,578,720	100.0%	10,674,780	100.0%
Expenses:				
Salaries and benefits	6,037,775	54.1%	6,101,490	55.3%
Library materials	2,016,477	18.1%	1,945,848	17.6%
General operating	963,269	8.6%	996,623	9.0%
Building operations and maintenance	2,144,297	19.2%	1,961,738	17.8%
Debt service	-	0.0%	24,419	0.2%
Total expenses	11,161,818	100.0%	11,030,118	100.0%
Change in net position	416,902		(355,338)	
Net position, January 1	36,918,316		37,273,654	
Net position, December 31	\$ 37,335,218		\$ 36,918,316	

Changes in Net Position:

The System receives 93 percent of its funding from property tax revenues. Salaries and benefits represent 54 percent of the System's total expenses. 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.

Governmental Fund Financial Analysis

"Modified Accrual Basis Statement" Analysis (Exhibits 3 and 4):

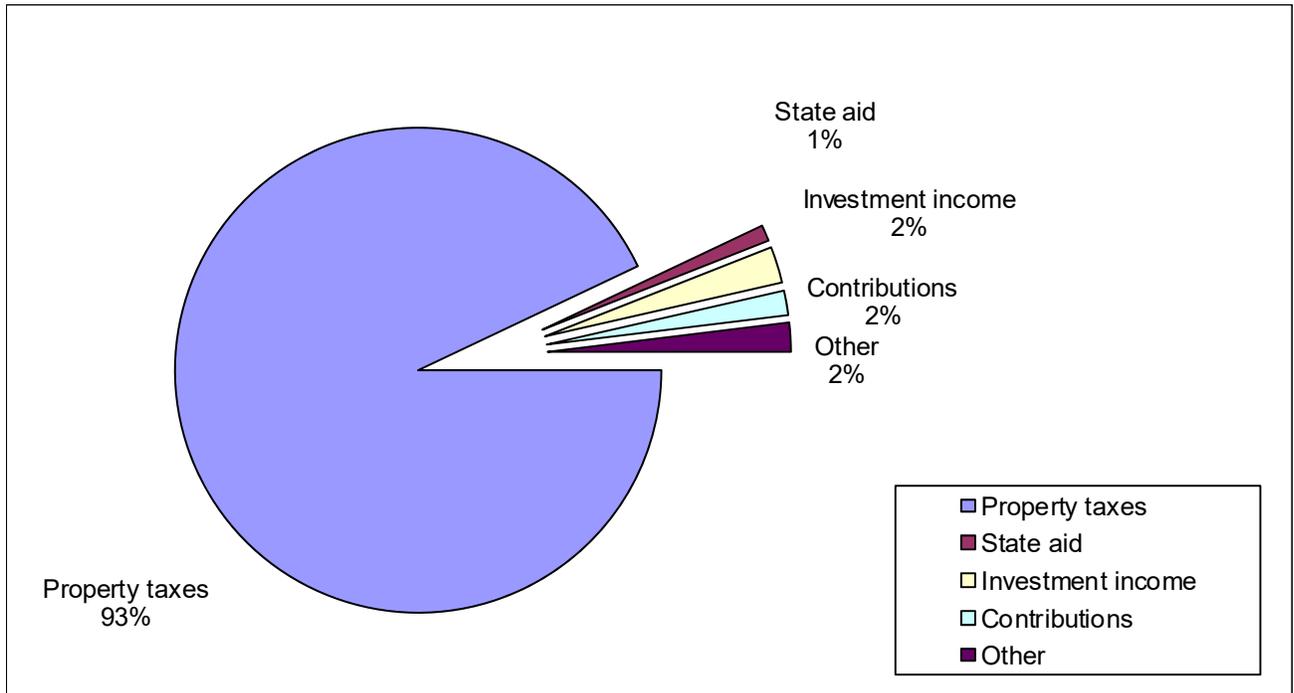
The General Fund is the chief operating fund of the System.

At the end of calendar year 2018, the fund balance of the General Fund was \$20,031,178, which includes \$9,390,013 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 2019 expenditures. Also, \$17,795 is restricted for grants and donations unspent at year-end, and \$3,852 and \$400,769 are not available for future spending as they represent inventory on-hand and amounts spent on prepaid expenditures, respectively. A total of \$4,992,021 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 7 of the Notes to the Financial Statements). The remaining unassigned fund balance of \$14,616,741 is available for future spending.

The General Fund balance increased \$807,151 in 2018 mainly due to increases in state aid and investment income, as well as due to decreases in salaries and fringe benefits and other cost savings.

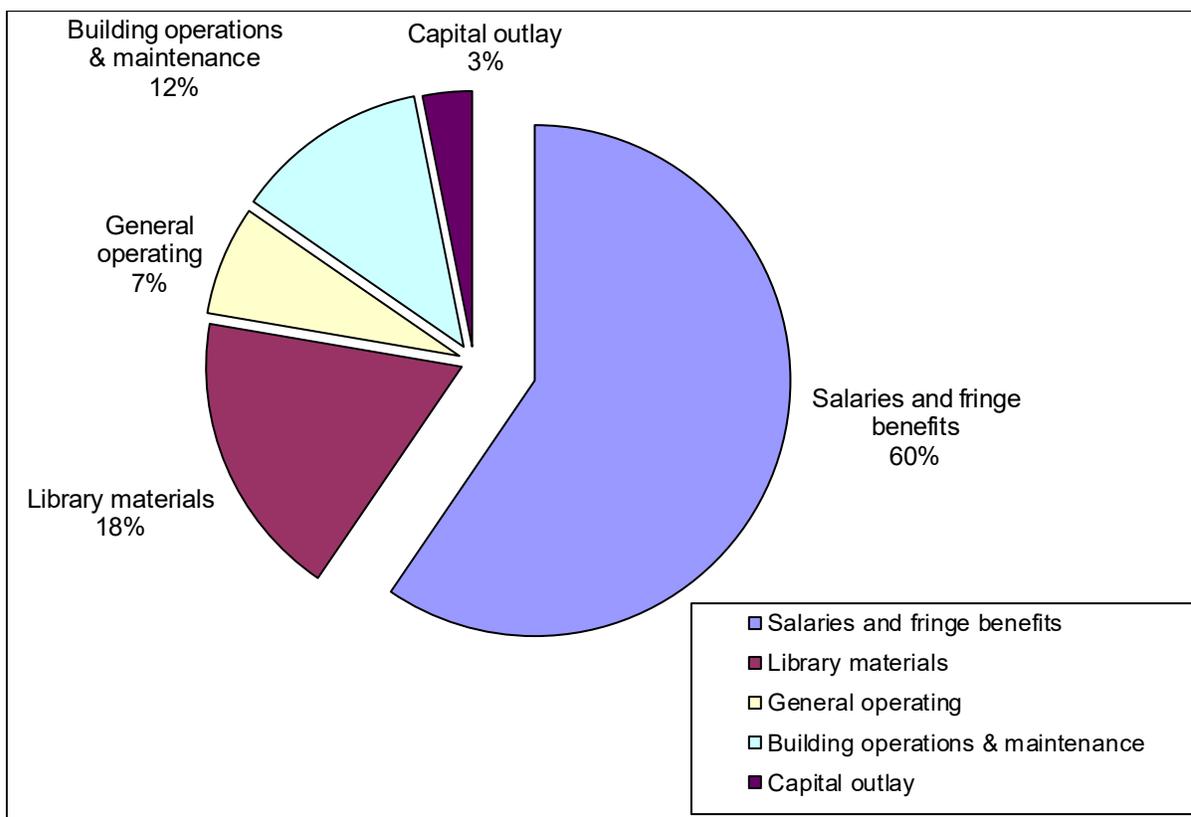
The charts in Figures 4 and 5 depict the percentages of revenue received from each of the General Fund's major revenue sources and the percentages of expenditures incurred for each of the General Fund's major expenditure areas.

General Fund 2018 Revenues
Figure 4



General Fund 2018 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 General Fund on Exhibit 5. 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 appropriate the Callaway County Public Library (CCPL) exterior repairs costs of \$114,000 to building operations and maintenance and to capitalize the costs of replacing the CCPL sidewalk of \$35,000.

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:

- **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, 2018. These adjustments resulted in a gain on investments in 2018. Also, more investment income was received than anticipated as a result of earning a higher rate of return than expected.

- **Contributions** – Actual contributions were greater than the final budget because additional donations were received from the Foundation for a book bike, furniture, launchpads, and a sound system.

Expenditures:

- **Salaries and Fringe Benefits** – Actual expenditures were less than the final budget because of employee turnover.
- **Building Operations and Maintenance** – Actual expenditures were less than the final budget because fewer repairs were needed, and insurance premiums and maintenance agreements were less than anticipated as part of 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.

Capital Asset Discussion

The System’s investment in capital assets as of December 31, 2018, totaled \$17,261,901, 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 year included the following:

- “Construction in progress” includes the down payments for the Book Rover and furniture for the Holts Summit location.
- “Columbia library building” includes adding the \$35,115 cost of the renovation to the public relations area.
- “Callaway library building” includes \$100,278 of sidewalk and cooling tower replacements.
- Automotive equipment includes \$25,600 for purchasing a transit van.
- Various furniture and equipment additions totaled \$169,389. Various items of furniture and equipment totaling \$109,021 were sold, discarded or removed from the records, most of which were fully depreciated.
- “Library collection” includes \$1,088,861 for the cost of materials purchased during the year and a reduction of \$1,108,966 for the cost of materials disposed of during the year.

Capital Assets
Figure 6

	2018	2017
Land	\$ 1,702,265	\$ 1,702,265
Construction in progress	52,581	-
Buildings and improvements	11,487,348	12,206,461
Furniture, fixtures, and equipment	1,057,327	1,079,502
Library collection	2,962,380	3,050,637
	<u>\$ 17,261,901</u>	<u>\$ 18,038,865</u>

Economic Factors and Next Year's Budgets

The Executive Director and staff believe the economic outlook to be stable for the upcoming year. The 2019 budgeted revenue is projected to increase at a rate sufficient to cover the 2019 budgeted operating expenditures. The System revisited its long-range strategic plan and will continue to implement the results in 2019. The Board of Trustees and the System's staff 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, 2018**

ASSETS

Current assets:

Cash deposits	\$ 754,306
Investments	10,047,209
Receivables:	
Property taxes (net of allowance for uncollectible accounts \$146,911)	9,390,013
Interest	15,338
Other	8,742
Prepaid expenses	400,769
Inventory	3,852

Total current assets	20,620,229
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Capital assets:

Non-depreciable	1,754,846
Other, net of depreciation	15,507,055

Total capital assets	17,261,901
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Total assets	37,882,130
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LIABILITIES

Current liabilities:

Accounts payable	159,879
Salaries payable	30,788
Compensated absences and other benefits payable within one year	356,245

Total current liabilities	546,912
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NET POSITION

Net investment in capital assets	17,261,901
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Restricted

For grant and donation spending	17,795
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Unrestricted	20,055,522
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Total net position	\$ 37,335,218
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See the accompanying notes to the basic financial statements.

DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Program services:					
Salaries and fringe benefits	\$ 6,037,775	\$ -	\$ -	\$ -	\$ 6,037,775
Library materials	2,016,477	-	86,827	121,905	1,807,745
General operating	963,269	58,989	63,336	60,837	780,107
Building operations and maintenance	2,144,297	-	-	-	2,144,297
Total	<u>\$ 11,161,818</u>	<u>\$ 58,989</u>	<u>\$ 150,163</u>	<u>\$ 182,742</u>	10,769,924
General revenues:					
Taxes:					
Property taxes, levied for general purpose					
					10,730,262
Investment income					
					276,669
Other					
					179,895
Total general revenues					
					11,186,826
Change in net position					
					416,902
Net position-beginning					
					36,918,316
Net position-ending					
					<u>\$ 37,335,218</u>

See the accompanying notes to the basic financial statements.

**DANIEL BOONE REGIONAL LIBRARY
BALANCE SHEET
DECEMBER 31, 2018**

	<u>General Fund</u>
ASSETS	
Cash deposits	\$ 754,306
Investments	10,047,209
Receivables:	
Property taxes (net of allowance for uncollectible accounts \$146,911)	9,390,013
Interest	15,338
Other	8,742
Prepaid expenditures	400,769
Inventories	<u>3,852</u>
Total assets	<u><u>\$ 20,620,229</u></u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 159,879
Salaries payable	<u>30,788</u>
Total liabilities	<u>190,667</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	<u>398,384</u>
FUND BALANCES	
Fund balances:	
Nonexpendable: prepaid expenditures and inventories	404,621
Restricted for:	
Grant and donation spending	17,795
Assigned to:	
Future capital outlay	4,992,021
Unassigned	<u>14,616,741</u>
Total fund balances	<u>20,031,178</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 20,620,229</u></u>

(continued)

**DANIEL BOONE REGIONAL LIBRARY
BALANCE SHEET
DECEMBER 31, 2018**

(continued)

Reconciliation:	
Fund balances of governmental funds	\$ 20,031,178
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	17,261,901
Long-term liabilities for items such as compensated absences are not current obligations and therefore are not recorded in the governmental fund statements	(356,245)
Deferred inflows of resources in the governmental fund statements are considered earned revenues in the government-wide financial statements	<u>398,384</u>
Net position of governmental activities	<u><u>\$ 37,335,218</u></u>

See the accompanying notes to the financial statements.

**DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 10,610,233
State aid	121,905
Grants	25,001
Investment income	276,669
Contributions	185,999
Copier income	13,592
Other	<u>182,806</u>
Total revenues	<u>11,416,205</u>
EXPENDITURES	
Current:	
Program services:	
Salaries and fringe benefits	6,314,057
Library materials	1,928,220
General operating	735,250
Building operations and maintenance	1,301,146
Capital outlay	<u>330,381</u>
Total expenditures	<u>10,609,054</u>
Excess of revenues over expenditures	807,151
Fund balances-beginning	<u>19,224,027</u>
Fund balances-ending	<u>\$ 20,031,178</u>
	(continued)

See the accompanying notes to the basic financial statements.

DANIEL BOONE REGIONAL LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

(continued)

Reconciliation:	
Net changes in fund balances - total governmental funds	\$ 807,151
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	1,471,824
Depreciation	(1,863,631)
Loss on disposal of equipment and undepreciated cost of disposed library collections	(385,157)
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	110,432
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	276,283
Change in net position of governmental activities	<u>\$ 416,902</u>

See accompanying notes to the basic 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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget- Over (Under)
REVENUES				
Property taxes	\$ 10,183,231	\$ 10,183,231	\$ 10,080,527	\$ (102,704)
State aid	120,806	120,806	121,905	1,099
Grants	30,000	30,000	25,001	(4,999)
Investment income	163,000	163,000	276,669	113,669
Contributions	120,000	120,000	185,999	65,999
Copier income	14,100	14,100	13,592	(508)
Other	135,100	135,100	182,807	47,707
Total revenues	<u>10,766,237</u>	<u>10,766,237</u>	<u>10,886,500</u>	<u>120,263</u>
EXPENDITURES				
Current:				
Program services:				
Salaries and fringe benefits	6,524,081	6,524,081	6,314,057	(210,024)
Library materials	1,956,225	1,956,225	1,928,220	(28,005)
General operating	759,467	759,467	735,250	(24,217)
Building operations and maintenance	1,278,817	1,392,817	1,301,146	(91,671)
Capital outlay	399,752	434,752	330,381	(104,371)
Contingency	150,000	150,000	-	(150,000)
Total expenditures	<u>11,068,342</u>	<u>11,217,342</u>	<u>10,609,054</u>	<u>(459,288)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (302,105)</u>	<u>\$ (451,105)</u>	277,446	<u>\$ 579,551</u>
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>529,705</u>	
Excess revenues under expenditures, modified accrual basis (Exhibit 4)			<u>\$ 807,151</u>	

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 Callaway County Library District (CCLD), and Columbia and Boone County Library District (CBCLD), 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 fund.

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 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 fund of the Library is 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.

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 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, 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. All appropriations lapse at 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 for approval. As soon as possible, usually by the regular November meeting, the final budget is 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, Expenditures, and Changes in Fund Balance – 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, capital outlay, and contingency. The Executive 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.

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 fair 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, videos, playaways, and devices.

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*

The System changed its compensated absences policy from a vacation and sick leave-based system to a paid time off (PTO)-based system at December 31, 2018. The balances from the former vacation and sick leave-based system were added to together and any employees with balances over 560 hours were offered a payout of the excess balance. These balances were accrued for at year-end. The balances from the current PTO-based system were not accrued for at year-end as they will not be paid upon separation of employment. In accordance with GASB Statement No. 16, all employer-related costs for PTO excess 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 may 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 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. A portion of 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 year. The System did not have any committed fund balance at December 31, 2018.
- 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. A portion of 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 two 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 Columbia and Boone County Library District (CBCLD). The Boone County officials report collections to the System and deposit collections into custody accounts for the CBCLD in the month subsequent to the month collected by 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 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 years. Additionally, the System has had no significant reductions in coverage in the past 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.

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 \$807,889 and a carrying amount of \$753,156 at December 31, 2018. 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 Executive 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 \$807,889 at December 31, 2018, was insured by the FDIC for \$250,327. The remaining total bank balance was secured by an irrevocable standby letter of credit.

Bank deposits	\$ 753,156
Cash on hand	<u>1,150</u>
Total cash	<u><u>\$ 754,306</u></u>

Investments

The System has an investment policy that states 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 an investment pool with Boone County 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 investment in the external investment pool, they present insignificant risk of changes in value because of changes in interest rates.

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 to pre-qualify; and requiring Boone County to diversify the investment pool's portfolio.

As of December 31, 2018, the underlying assets of the Boone County Investment Pool were invested as follows: 83% in U.S. agency securities and 17% 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, 2018. Fourteen U.S. agency securities 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, Missouri external investment pool assets are held by financial institutions in the name of Boone County, Missouri.

As of December 31, 2018, the System had the following investment balance:

Investment in external investment pool:

Boone County \$ 10,047,209

As of December 31, 2018, 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		
General Fund	<u>\$ 2,578,079</u>	<u>\$ 7,469,130</u>	<u>\$ 10,047,209</u>	<u>\$ 10,047,209</u>

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 System 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 Investment Pool, which is unitized and traded at net asset value, similar to a mutual fund. The System is able to invest in and withdraw from the pool 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 Investment Pool as of December 31, 2018, is as follows:

	Level 1	Level 2	Level 3
Certificates of deposit	\$ -	\$ 1,541,683	\$ -
U.S. agency securities	-	8,505,526	-
Total Boone County Investment Pool	<u>\$ -</u>	<u>\$ 10,047,209</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 2018 for each of the respective taxing districts were as follows:

	General
Callaway County Library District	\$ 0.1998
Columbia and Boone County Library District	0.3091

The assessed valuations for property upon which the fiscal 2018 levies were based were as follows:

Callaway County Library District	\$ 889,819,650
Columbia and Boone County Library District	2,843,496,372
	<u>\$3,733,316,022</u>

Property tax revenue from the individual taxing districts for the General Fund for the year ended December 31, 2018 is as follows:

Modified accrual basis fund financial statements:

	Actual
Callaway County Library District	\$ 1,758,296
Columbia and Boone County Library District	8,851,937
	<u>\$ 10,610,233</u>

Non-GAAP budgetary basis financial statements:

	Budget	Actual	Variance Favorable (Unfavorable)
Callaway County Library District	\$ 1,672,950	\$ 1,610,862	\$ (62,088)
Columbia and Boone County Library District	8,510,281	8,469,665	(40,616)
	<u>\$ 10,183,231</u>	<u>\$ 10,080,527</u>	<u>\$ (102,704)</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
Construction in progress	-	52,581	-	52,581
Total capital assets not being depreciated	<u>1,702,265</u>	<u>52,581</u>	<u>-</u>	<u>1,754,846</u>
Capital assets being depreciated				
Columbia library building	24,647,802	35,115	-	24,682,917
Callaway library building	1,970,624	100,278	-	2,070,902
Leasehold improvements	21,802	-	-	21,802
Automotive equipment	460,806	25,600	-	486,406
Furniture and equipment	3,372,138	169,389	(109,021)	3,432,506
Books and materials	7,512,424	1,088,861	(1,108,966)	7,492,319
SIRSI circulation control system	137,960	-	-	137,960
Total capital assets being depreciated	<u>38,123,556</u>	<u>1,419,243</u>	<u>(1,217,987)</u>	<u>38,324,812</u>
Accumulated depreciation				
Columbia library building	(13,169,960)	(774,794)	-	(13,944,754)
Callaway library building	(1,265,296)	(68,358)	-	(1,333,654)
Leasehold improvements	(7,609)	(2,256)	-	(9,865)
Automotive equipment	(367,301)	(18,106)	-	(385,407)
Furniture and equipment	(2,421,995)	(196,047)	105,892	(2,512,150)
Books and materials	(4,461,787)	(795,090)	726,938	(4,529,939)
SIRSI circulation control system	(93,008)	(8,980)	-	(101,988)
Total accumulated depreciation	<u>(21,786,956)</u>	<u>(1,863,631)</u>	<u>832,830</u>	<u>(22,817,757)</u>
Total capital assets being depreciated, net	<u>16,336,600</u>	<u>(444,388)</u>	<u>(385,157)</u>	<u>15,507,055</u>
Capital assets, net	<u>\$ 18,038,865</u>	<u>\$ (391,807)</u>	<u>\$ (385,157)</u>	<u>\$ 17,261,901</u>

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

Library materials	\$ 795,090
General operating	223,133
Building operations and maintenance	845,408
	<u>\$ 1,863,631</u>

5. 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 \$220,993 for 2018.

6. LEASE

The System has a long-term lease for its Southern Boone County library facility. Future minimum lease payments as of December 31, 2018 are as follows:

2019	\$ 102,440
2020	102,440
2021	102,440
2022	81,098
	<u>388,418</u>
	<u>\$ 388,418</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 \$97,294 for 2018.

7. 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, 2018, 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	\$ 2,583,900
Future equipment, furniture and similar capital outlay	1,579,865
Implementation of the long-range strategic plan	<u>828,256</u>
Total assigned General Fund balance	<u>\$ 4,992,021</u>

8. COMMITMENTS

The System has the following contracts with remaining commitments as of December 31, 2018:

	Approximate Amounts	
	Total Contract	Remaining Commitment
Book Rover Project	\$ 163,970	\$ 114,779
Holts Summit Project	6,780	3,390
	<u>\$ 170,750</u>	<u>\$ 118,169</u>

9. 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 2018, the System received a total of \$170,595 in contributions and materials from these organizations and was reimbursed \$5,795 from these organizations for its expenditures.

10. 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, 2018 is listed below.

Purpose	Percentage of Taxes Abated During the Year	Amount of Taxes Abated During the Year	Financing Method
Columbia Hotel Redevelopment (1)	100	3,226	Tax Increment Financing
Columbia Hotel Redevelopment (2)	50	7,431	Chapter 100 Financing
Columbia Laboratory Expansion	50	7,418	Chapter 100 Financing
Food Manufacturing	75	9,852	Chapter 100 Financing
Manufacturing Development	50	721	Chapter 100 Financing
Outdoor Merchandise Development	50	994	Chapter 100 Financing
Redevelopment of Fulton Strip Mall	100	1,150	Tax Increment Financing
Redevelopment of Fulton's Southside	100	4,466	Tax Increment Financing

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

Boone County has approved two other Chapter 100 projects for food processing and radioisotope production, but no agreements have been reached as of December 31, 2018.

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.

11. SUBSEQUENT EVENT

At the March 14, 2019 Board of Trustees' meeting, the Trustees approved the System joining the Missouri Local Government Employees Retirement System (LAGERS). All employees working more than 1,500 hours annually will participate in LAGERS. The Trustees approved paying \$1.5 million on the unfunded liability. After this payment, the System's estimated unfunded liability is \$2.7 million. The System's estimated annual required contribution is \$443,722.