
***ST. CHARLES CITY-COUNTY
LIBRARY DISTRICT***

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT***

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees
St. Charles City-County Library District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Charles City-County Library District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements. We did not audit the financial statements of the discretely presented component unit. The governmental activities, the discretely presented component unit, the major fund, and the related notes to the financial statements, collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Charles City-County Library Foundation, which is a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, and the major fund of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

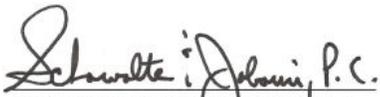
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 3, 2018

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The St. Charles City-County Library District's (District) management discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Since this information is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

During Fiscal Year 2018:

- The District's net position increased \$1,092,495 as a result of this year's operations resulting in ending net position of \$43,460,636, an increase of 2.6%.
- The District's fund balance in the General Fund for the year increased \$1,635,661, or 8.6%, as a result of operations.
- The District has increased its focus on delivering the exceptional customer experience. The Strategic Plan for 2016-2018 is concluding, so a formal planning process has begun for 2019-2023. The District's new plan will refresh mission, vision and core values. It will also deliver a Facilities Master Plan, service and outreach enhancements, and so much more.
- Tax revenue for the fiscal year was based on assessment of the property valuation established by the St. Charles County Assessor. The District's tax rate is \$0.2106 per \$100 assessed valuation. Residential and commercial real estate, in addition to personal property, experienced considerable increases. Overall tax valuation increased 9.7% for the fiscal year. The continued tax growth is evidence of a strong economy and housing market and overall advancement.

FINANCIAL STATEMENT OVERVIEW

This annual financial report contains three parts, including Management's Discussion and Analysis; Basic Financial Statements; and Supplementary Information. This discussion and analysis is intended to serve as an introduction to St. Charles City-County Library District's basic financial statements.

The basic financial statements consist of three components: 1.) Statement of Net Position and Governmental Fund Balance Sheet, 2.) Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and 3.) Notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements, which provide information about District financial activities on both the accrual and modified accrual basis.

Statement of Net Position and Governmental Fund Balance Sheet

This statement (on page 10 of the Basic Financial Statements) provides detailed information about the general fund, the District's only fund, which is a governmental fund. The general fund focuses on current financial resources, using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash.

The government-wide financial statement (i.e. the statement of net position) includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. This

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Management's Discussion and Analysis (continued)

method takes into account all current year revenues and expenses regardless of when cash is paid or received. It therefore presents a longer-term view of the District's finances.

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

This statement (on page 11 of the Basic Financial Statements) presents detailed information about the general fund (governmental fund), including all of the District's basic services, which helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program and building needs. The statement of activities is government-wide, so earned revenues and incurred liabilities are recorded regardless of related cash flows timing.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data provided in the general fund and government-wide financial statements. The notes to the financial statements can be found on pages 12 - 29 of the Basic Financial Statements.

Supplementary Information

Additional information concerning District budget and pension data is presented beginning on page 30 of the Required Supplementary Information. Although not a required part of the basic financial statements, general supplementary information providing more detailed budget figures is presented beginning on page 34 that might be useful to the reader.

THE DISTRICT AS A WHOLE

One of the most important questions posed is whether the District is in a better financial position at the end of this fiscal year as compared to the prior year. The Statement of Net Position and the Statement of Activities provide information about the District as a whole and about its activities in a manner that assists in answering this question. These two statements report the District's net position and changes in it. You can view net position as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other factors, however, such as changes in the District's property tax base, financial health of District residents, and the complete budget for the State of Missouri, to assess the overall health of the District.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Management's Discussion and Analysis (continued)

Financial Overview

The following is a condensed financial overview for the current and prior year:

	FY 2018	FY 2017	Dollar Change
Assets:			
Current assets	\$ 21,679,986	\$ 19,765,632	\$ 1,914,354
Net pension asset	1,793,810	893,878	899,932
Net capital assets	21,812,685	22,535,063	(722,378)
Total Assets	45,286,481	43,194,573	2,091,908
Deferred Outflows	316,681	836,044	(519,363)
Liabilities:			
Current liabilities	763,050	463,120	299,930
Noncurrent liabilities	634,292	610,755	23,537
Total Liabilities	1,397,342	1,073,875	323,467
Deferred Inflows	745,184	588,601	156,583
Net Position:			
Net investment in capital assets	21,812,685	22,535,063	(722,378)
Unrestricted	21,647,951	19,833,078	1,814,873
Total Net Position	\$ 43,460,636	\$ 42,368,141	\$ 1,092,495

The District's net position increased \$1,092,495 as a result of this year's operations, resulting in an ending net position of \$43,460,636, an increase of 2.6%. Net investment in capital assets decreased \$722,378 due to depreciation exceeding additions to capital assets and a planned reduction to the materials collection. Unrestricted net position increased \$1,814,873 or 9.2%. While the unrestricted net position of \$21,647,951 is available for the District to spend at its discretion, approximately 9.7% of the assets and deferred outflows are pension related.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Management's Discussion and Analysis (continued)

	FY 2018	FY 2017	Dollar Change
Revenues:			
Program Revenues:			
Charges for service	\$ 691,695	\$ 576,958	\$ 114,737
Operating grants and contributions	63,209	110,944	(47,735)
Capital grants and contributions	29,255	27,000	2,255
Total Program Revenues	784,159	714,902	69,257
General Revenues:			
Property taxes and other	18,364,555	17,552,059	812,496
State aid, grants, and A&E taxes	183,969	91,427	92,542
Investment earnings	81,450	44,585	36,865
Donations	2,154	4,754	(2,600)
Miscellaneous	114,258	119,032	(4,774)
Total General Revenues	18,746,386	17,811,857	934,529
Total Revenues	19,530,545	18,526,759	1,003,786
Expenses:			
Library services:			
Salaries and benefits	11,280,573	11,417,915	(137,342)
Library materials	1,398,421	1,318,747	79,674
Technology and telecommunication	303,612	362,561	(58,949)
Depreciation and amortization	2,929,532	2,721,216	208,316
Other operational expenditures	2,510,456	2,162,052	348,404
Capital outlay	15,456	51,425	(35,969)
Total Expenses	18,438,050	18,033,916	404,134
Change In Net Position	1,092,495	492,843	\$ 599,652
Net Position - Beginning of Year	42,368,141	41,875,298	
Net Position - End of Year	\$ 43,460,636	\$ 42,368,141	

The majority of the District's activities are financed from property taxes, considered general revenues, collected by the St. Charles County Collector. The increase of \$812,496 in tax revenues from prior year is due to collection of prior year and protested taxes and intended reserve addition. Charges for services, considered program revenues, increased \$114,737 from prior year due mainly to passport services offered at three branch locations. In total, state aid, grants, and A&E taxes increased \$92,542 from prior year. This amount reflects increased Missouri State Aid and LSTA grant monies received. Overall, District revenues increased \$1,003,786 or 5.4%.

The District's Salaries and Benefits decreased \$137,342 from prior year due to personnel changes and hiring delays. Library Materials, another major program expense, increased \$79,674 or 6.0% from prior year due to an increase in database services and streaming costs. The District ended the year expending 16.14% of the

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Management's Discussion and Analysis (continued)

overall revenues on materials before depreciation. The materials collection decreased 8.1% before depreciation for the fiscal year.

Technology and Telecommunications program expense decreased \$58,949 from prior year due to a delay in purchasing equipment and other items. Other operational expenditures increased \$348,404 from prior year due to increased supplies expense, equipment, and professional fees. The total cost of operations increased by \$404,134 or 2.2%.

CAPITAL ASSETS

At the end of the year, the District had \$21,812,685 invested in capital assets net of depreciation, including land, buildings, furniture, equipment, and leasehold improvements. Capital asset additions, disposals, and depreciation resulted in a net decrease in capital assets of \$722,378. The following is a prior year comparison of capital assets before taking into account depreciation:

	2018	2017
Land	\$ 1,458,030	\$ 1,458,030
Construction in progress	53,095	50,820
Buildings	21,402,616	21,236,789
Improvements	571,290	554,062
Furniture and equipment	5,465,014	5,437,439
Automobiles	163,649	179,247
Intangibles	35,000	35,000
Library materials	13,112,271	14,268,795
Total	\$ 42,260,965	\$ 43,220,182

More detailed information about capital assets is presented in Note 6 to the financial statements.

NONCURRENT LIABILITIES

As of June 30, 2018, the District has no outstanding debt. Noncurrent liabilities consist of accrued compensated absences in the amount of \$634,292 an increase of \$23,537 from the prior year. More detailed information about noncurrent liabilities is presented in Note 7 to the financial statements.

Also included is a net pension asset of \$1,793,810, which was a \$893,878 net pension asset in the prior year. More detailed information about pension plan is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND FY18 BUDGET AND RATES

The Fiscal Year 2018 budget was prepared using a tax rate of \$0.2106 per \$100 assessed valuation, while the Fiscal Year 2017 budget was prepared using a tax rate of \$0.2200 per \$100 assessed valuation.

There is economic uncertainty concerning the District's reliance on property and other taxes for 94.0% of total revenues during the past year. The District has historically opposed the use of property tax abatements and incentives that allow using tax dollars designated to the District. However, the District realizes a lack of control over other entities and what they may award private businesses to advance economic development goals.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Management's Discussion and Analysis (continued)

All major capital expenditures are from current revenues and reserves. The District has historically maintained its building program along with continued expansion without debt. This may change due to continuing St. Charles County growth that is indicating the need for increased services and transformation throughout the District.

BUDGET INFORMATION

Actual General Fund revenues and other financing sources were \$19,551,782 for the fiscal year ending June 30, 2018 compared to the budgeted amount of \$19,120,860. District revenues were over budget by nearly \$431,000.

Actual General Fund expenditures were \$17,916,121 for the fiscal year ending June 30, 2018 compared to the budgeted amount of \$19,140,131. Total budgeted expenditures were amended during the year with a net effect of a \$0 increase. District expenditures were under budget \$1,224,010.

COMPONENT UNIT

The District's component unit, St. Charles City-County Library Foundation (Foundation), is included in the basic financial statements. Foundation is a non-profit organization established for the purpose of providing funding for educational programs open to the public at the District and for promoting awareness of the availability of library services. Net assets for the Foundation's fiscal year ending June 30, 2018 increased \$43,953, or 5.2%, from prior year. The Foundation issues separate financial statements, which can be obtained from the Foundation's Executive Director at the below address.

CONTACTING THE ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

This financial report is designed to provide St. Charles County citizens, consumers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact:

Chief Financial Officer
St. Charles City-County Library District
77 Boone Hills Drive
P.O. Box 529
St. Peters, MO 63376

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2018**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION	ST. CHARLES CITY-COUNTY LIBRARY FOUNDATION
ASSETS				
Cash and investments	\$ 20,980,849	\$ -	\$ 20,980,849	\$ 908,323
Taxes receivable	472,290	-	472,290	-
Accrued interest	1,576	-	1,576	-
Other receivables	19,547	-	19,547	-
Prepaid expenses	199,919	-	199,919	7,364
Security deposits	5,805	-	5,805	-
Net pension asset	-	1,793,810	1,793,810	-
Capital assets:				
Nondepreciable capital assets	-	1,511,125	1,511,125	-
Other capital assets, net of accumulated depreciation	-	20,301,560	20,301,560	-
TOTAL ASSETS	21,679,986	23,606,495	45,286,481	915,687
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	-	316,681	316,681	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,679,986	\$ 23,923,176	\$ 45,603,162	\$ 915,687
LIABILITIES				
Accounts payable	\$ 507,273	\$ -	\$ 507,273	\$ 10,268
Accrued payroll	255,777	-	255,777	-
Unearned revenue	-	-	-	21,300
Noncurrent liabilities:				
Due within one year	-	634,292	634,292	-
TOTAL LIABILITIES	763,050	634,292	1,397,342	31,568
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	340,336	(340,336)	-	-
Pension related deferred inflows	-	745,184	745,184	-
TOTAL DEFERRED INFLOWS OF RESOURCES	340,336	404,848	745,184	-
FUND BALANCE/NET POSITION				
Fund balances:				
Nonspendable	205,724	(205,724)	-	-
Assigned to:				
Projected use of reserves	112,189	(112,189)	-	-
Unassigned	20,258,687	(20,258,687)	-	-
TOTAL FUND BALANCE	20,576,600	(20,576,600)	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 21,679,986	\$ (19,537,460)		
Net position:				
Net investment in capital assets			21,812,685	-
Restricted			-	2,318
Unrestricted			21,647,951	881,801
TOTAL NET POSITION			\$ 43,460,636	\$ 884,119

See accompanying notes to basic financial statements

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES	ST. CHARLES CITY-COUNTY LIBRARY FOUNDATION
EXPENDITURES/EXPENSES				
Library services:				
Salaries and benefits	\$ 11,481,022	\$ (200,449)	\$ 11,280,573	\$ -
Library materials	3,156,572	(1,758,151)	1,398,421	-
Technology and telecommunication	328,426	(24,814)	303,612	-
Depreciation and amortization	-	2,929,532	2,929,532	-
Contributions and scholarships	-	-	-	6,425
Other operational expenditures	2,613,732	(103,276)	2,510,456	184,385
Capital outlay	336,369	(320,913)	15,456	-
TOTAL EXPENDITURES/EXPENSES	17,916,121	521,929	18,438,050	190,810
PROGRAM REVENUES				
Charges for services	691,695	-	691,695	-
Operating grants and contributions	-	63,209	63,209	-
Capital grants and contributions	-	29,255	29,255	-
NET PROGRAM REVENUES	691,695	92,464	784,159	-
NET PROGRAM EXPENSE			(17,653,891)	
GENERAL REVENUES				
Property and other taxes	18,385,792	(21,237)	18,364,555	-
State aid, grants, and A&E taxes	276,433	(92,464)	183,969	-
Investment earnings	81,450	-	81,450	17,950
Donations	2,154	-	2,154	20,474
Miscellaneous	114,258	-	114,258	196,339
TOTAL GENERAL REVENUES	18,860,087	(113,701)	18,746,386	234,763
NET CHANGE IN FUND BALANCE/ NET POSITION	1,635,661	(543,166)	1,092,495	43,953
FUND BALANCE/NET POSITION - BEGINNING OF YEAR	18,940,939		42,368,141	840,166
FUND BALANCE/NET POSITION - END OF YEAR	\$ 20,576,600		\$ 43,460,636	\$ 884,119

See accompanying notes to basic financial statements

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF OPERATIONS

The St. Charles City-County Library District (the "District") provides library services to the residents of St. Charles County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component units board, and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

The accompanying financial statements present the St. Charles City-County Library District (the primary government) and its component units. The financial data of the component units are included in the District's reporting entity because of the significance of operational financial relationships with the District.

Blended Component Unit

The St. Charles Library Building Corporation (the "Corporation"), an entity legally separate from the District, is governed by a five member board appointed by the District's Board of Trustees. For financial reporting purposes, the Corporation is reported as if it were a part of the District's operations because its sole purpose is to finance certain land and building purchases which are leased to the District. During the fiscal year ended June 30, 2018, there was no activity for the Corporation.

Discretely Presented Component Unit

The St. Charles City-County Library Foundation (the "Foundation"), is a non-profit organization formed in April 2000. The Foundation is governed by a seventeen member board, of which one is appointed by the District's Board of Trustees. The Foundation is reported in a separate column to emphasize that it is separate from the District. The Foundation issues separate financial statements. Complete financial statements of the Foundation can be obtained from the St. Charles City-County Library Foundation, 77 Boone Hills, St. Peters, Missouri 63376.

The Foundation was formed to support the District. The Foundation partners with private donors to support programs not covered by tax dollars. Funds are generated through special events, individual, and corporate giving, as well as planned giving for the benefit of the District. The District received

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

payments from the Foundation of \$7,742 during the year ended June 30, 2018. Amounts receivable from the Foundation to the District were \$1,519 as of June 30, 2018.

Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

Governmental Funds are those through which most functions of the District are financed. The District's expendable financial resources are accounted for through Governmental Funds. The measurement focuses on the determination of changes in the financial position rather than upon net income determination. Governmental Funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District uses the following governmental fund type, which is considered a major fund:

General Fund - This fund is the general operating fund (and only fund) of the District and accounts for all current financial resources.

Basis of Presentation

Government-wide Financial Statement:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position presents the financial condition of the governmental activities and the discretely presented component unit of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and clearly identifiable to a particular function. Amounts reported as program revenues include 1) charges paid by patrons for fees or goods and services offered by the District and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not restricted for use by a particular function are reported as general revenues.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

Fund Financial Statements:

The fund financial statements provide information about the District's funds. Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance. The fund financial statements emphasize major governmental funds, each displayed in a separate column.

Measurement Focus/Basis of Accounting

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance, reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Since the governmental fund financial statements and government-wide financial statements are combined, an adjustment column is provided to show the reconciliation between the two sets of financial statements. The notes to the financial statements further describe the adjustments by providing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the District, available means expected to be received within sixty (60) days of year end.

The District recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are available.

Intergovernmental revenues, representing grants, entitlements, donations, and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore; not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 governmental funds report unavailable revenues from one source, property taxes earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - An enforceable lien is attached to property as of January 1 if taxes are unpaid. Taxes are levied on November 1 and are payable on December 31. The County collects the property tax and remits it to the District. Revenue recognition of delinquent property taxes not collected within sixty (60) days of fiscal year end is deferred.

The assessed valuation of the tangible taxable property for the calendar year 2017 was \$8,503,759,928. The tax levy per \$100 of the assessed valuation of tangible property was \$0.2106.

Cash and Investments - Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts included nonnegotiable certificates of deposit. The nonnegotiable certificate of deposit is reported at cost.

Capital Assets - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the governmental-wide statement of net position but are not reported in the fund financial statements.

All capital assets, except library materials are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. Library materials are capitalized based on a discounted average retail price for the year. The District capitalizes library materials and all other assets for financial reporting purposes with a useful life greater than one year.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. The District does not possess any infrastructure.

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service. Improvements are depreciated over the remaining useful lives of the related capital assets. Except for land and construction in progress, all reported capital assets are depreciated or amortized. Capital assets are depreciated and amortized over their estimated service lives using the straight-line method as follows:

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

<u>Major Group</u>	<u>Method</u>	<u>Life</u>
Buildings	Straight line	35 years
Land and building improvements	Straight line	10 years
Furniture and equipment	Straight line	3-7 years
Automobiles	Straight line	5 years
Intangibles	Straight line	6-10 years
Library materials	Straight line	5-10 years

Compensated Absences - Full-time employees earn Annual Leave time at 100 hours per year with increases at 3, 8 and 15 years of service. Exempt employees accrue annual leave based on the budgeted hours in a pay period. Nonexempt employees accrue annual leave based on actual hours worked in a pay period with increases at 3, 8 and 15 years of service. Annual totals vary depending on hours worked in a year. The maximum accrual for full time employees is 240 hours. Part-time employees have a maximum accrual of either 120 hours or 60 hours, based on budgeted hours. Annual Leave time earned but unused at year end has been recorded as a liability in the government-wide financial statements.

Full-time employees earn 96 hours of sick leave per year. Part-time employees in budgeted positions accrue hours based on the number of hours worked in a pay period. Part-time employees have a maximum accrual of either 300 hours or 150 hours, based on budgeted hours. Unused sick leave accumulates but does not vest. Therefore, an accrual is not made in the financial statements.

Accrued Liabilities and Long-term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Net Position and Fund Equity

In government-wide financial statements net position is reported in three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets, does not include the unspent proceeds of capital debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is considered unrestricted.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact. The District reports nonspendable fund balance for prepaid expenses and security deposits.

Restricted - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, the Board of Trustees. Formal action (resolution) must be taken by the Board of Trustees prior to the end of the fiscal year to commit funds. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Trustees or an official to which the Board of Trustees has delegated the authority to assign amounts for specific purposes. No formal policy exists for assigning fund balances.

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The District would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budget and Budgetary Accounting

The Board of Trustees legally adopts an annual budget through passage of a motion for the General Fund, prior to the beginning of each fiscal year. The Board of Trustees follows the procedures outlined below in establishing the budgetary data reflected in the accompanying basic financial statements.

- The annual budget is broken down to three areas; expenditures, capital projects, and revenue. Revenue estimates are projected by February but not finalized until the tax rate is passed in September.
- Department heads and managers prepare their requests for budget expenditures in four sublevel areas in the operating budget and their requests for capital projects. Reviews by the entire District with the appropriate parties including the Director are consolidated for presentation to the Board. The four levels and the time that they are presented to the Board of Trustees is Materials in March, Personnel in April, Technology and Telecommunications in

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

April, and Operations in May. The presentations to the Board are to allow them input and to allow direction for the coming fiscal year. The Board passes the overall budget in June.

- Each area of the budget has line items that make up the total budget. In the Operations area of the budget, the Board will single out large ticket items for review. These line items usually are equipment, building and grounds projects, and travel expenditures.
- The Chief Financial Officer prepares the final presentation of the budget for the June Board meeting. The areas of the budget approved at that meeting are Personnel, Material, Operations, Technology and Telecommunications, and Capital Projects. These areas represent the total operations expenditure budget. The Chief Financial Officer gives updates to expected revenue during the entire process and provides a working capital and income statement to the Board for their considerations. It is understood at this time that if actual revenues do not obtain those levels, expenditures will be cut to assure a balanced budget before Capital Projects.
- During the entire process the Director reviews each area with other managers in the various budget areas and will include the Chief Financial Officer, Deputy Director, Chief Talent Officer and IT Manager.
- The revenue budget is reviewed with the Board during the entire process and upon receipt of the final property assessment in September, the Chief Financial Officer presents the tax rate to be approved and passed by the Board after a public hearing. The County Registrar and the Missouri State Auditor then certify the tax rate.
- The District's budgets are prepared on the modified accrual basis. The legal level of budgetary control is at the fund level.

Pensions

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

3. CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law. The District's policy and state law authorized the following types of investments: United States Treasury Bills, Federal Agency Obligations, Obligations of Government Sponsored Corporations, Certificates of Deposits, and Repurchase Agreements collateralized by government securities. At June 30, 2018, the District's idle funds were invested in nonnegotiable certificates of deposit which are considered deposits.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

As of June 30, 2018, the District's deposits and investment balances were as follows:

<u>Type</u>	<u>Carrying Value</u>
District:	
Demand deposits	\$ 12,257,764
Cash on hand	8,085
Nonnegotiable certificates of deposit	<u>8,715,000</u>
Total Deposits	<u>\$ 20,980,849</u>

As of June 30, 2018, the discretely presented component unit's deposits and investment balances were as follows:

<u>Type</u>	<u>Carrying Value</u>
Foundation:	
Demand deposits and cash held by broker/bank	\$ 170,385
Asset backed securities	4,772
Equity mutual funds	130,530
Equity exchange traded funds	340,857
Fixed income mutual funds	120,161
Fixed income exchange traded funds	<u>141,618</u>
Total Deposits and Investments	<u>\$ 908,323</u>

The discretely presented component unit is not required to adopt the provision of GASB 40, as amended by GASB 72.

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for deposits which requires these funds in excess of amounts federally insured to be collateralized and shall be granted safekeeping receipts specifying the type of collateral as allowed by law. As of June 30, 2018, none of the District's bank balances were exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk relating to investments. The District has no investments as of June 30, 2018.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

Investment Interest Rate Risk

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has no investments as of June 30, 2018.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, and investments in external investment pools and investments in other pooled investments). The District has no policy in place to minimize the risk of loss resulting from over concentration of investments. The District has no investments as of June 30, 2018.

Investment Credit Risk

The District does not have policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer. The District has no investments as of June 30, 2018.

4. RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 20,576,600
Amount reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	21,812,685
Property taxes and other receivables not available to pay for current period expenditures and therefore deferred in the fund.	340,336
Net pension asset is not a current financial resource and therefore not reported in the fund.	1,793,810
Net deferred inflows of resources related to pension are not available to pay current expenditures and therefore are deferred in the fund.	(428,503)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund as follows:	
Vacation payable	<u>(634,292)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 43,460,636</u></u>

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

5. RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

NET CHANGE IN TOTAL GOVERNMENTAL FUND BALANCE \$ 1,635,661

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditure in the governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation or amortization expense. In the current period, these amounts are:

Capital asset purchases	\$ 2,222,710	
Depreciation and amortization expense	<u>(2,929,532)</u>	
Total		(706,822)

In the statement of activities, the gain (loss) on the sale of capital assets is reported. The gain (loss) is not a use of current resources and, thus, is not reported in the funds. (15,556)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (21,237)

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. These activities consist of:

Pension expense	223,986	
Change in vacation payable	<u>(23,537)</u>	

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,092,495

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

6. CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated and amortized:				
Land	\$ 1,458,030	\$ -	\$ -	\$ 1,458,030
Construction in progress	50,820	2,275	-	53,095
Total capital assets, not being depreciated and amortized	<u>1,508,850</u>	<u>2,275</u>	<u>-</u>	<u>1,511,125</u>
Capital assets being depreciated and amortized:				
Buildings	21,236,789	165,827	-	21,402,616
Improvements	554,062	17,228	-	571,290
Furniture and equipment	5,437,439	279,229	251,654	5,465,014
Automobiles	179,247	-	15,598	163,649
Intangibles	35,000	-	-	35,000
Library materials	14,268,795	1,758,151	2,914,675	13,112,271
Total capital assets, being depreciated and amortized	<u>41,711,332</u>	<u>2,220,435</u>	<u>3,181,927</u>	<u>40,749,840</u>
Less: accumulated depreciation and amortization for:				
Buildings	8,058,426	624,437	-	8,682,863
Improvements	77,334	43,062	-	120,396
Furniture and equipment	4,513,986	376,106	236,098	4,653,994
Automobiles	153,056	5,820	15,598	143,278
Intangibles	5,833	11,667	-	17,500
Library materials	7,876,484	1,868,440	2,914,675	6,830,249
Total accumulated depreciation and amortization	<u>20,685,119</u>	<u>2,929,532</u>	<u>3,166,371</u>	<u>20,448,280</u>
Total capital assets, being depreciated and amortized, net	<u>21,026,213</u>	<u>(709,097)</u>	<u>15,556</u>	<u>20,301,560</u>
Total capital assets, net	<u>\$ 22,535,063</u>	<u>\$ (706,822)</u>	<u>\$ 15,556</u>	<u>\$ 21,812,685</u>

7. LONG - TERM LIABILITIES

The following summary of changes in long-term liabilities for the fiscal year ended June 30, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 610,755	\$ 561,495	537,958	\$ 634,292	\$ 634,292

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

8. PENSION PLAN

Plan Description

The District's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The District participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2018 Valuation</u>
Benefit Program	1.50% for life
Final Average Salary	3 years
Member Contribution Rate	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered By Benefit Terms

At June 30, 2018, the following LAGERS employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	15
Active employees	89
Total	<u>158</u>

Contributions - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

contribute to the pension plan. Employer contribution rates are 10.7% of annual covered payroll for the year ended June 30, 2018.

Net Pension Liability - The employer's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

Actuarial assumptions - The total pension liability in the February 28, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

Discount rate - The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2017	\$ 17,880,214	\$ 18,774,092	\$ (893,878)
Changes for the year:			
Service cost	447,644	-	447,644
Interest	1,282,663	-	1,282,663
Differences between expected and actual experience	441,966	-	441,966
Changes in assumptions	-	-	-
Contributions - employer	-	559,910	(559,910)
Contributions - employee	-	-	-
Net investment income	-	2,373,575	(2,373,575)
Benefit payments including refunds of employee contributions	(830,979)	(830,979)	-
Administrative expense	-	(13,659)	13,659
Other (net transfer)	-	152,379	(152,379)
Net Changes	1,341,294	2,241,226	(899,932)
Balances as of June 30, 2018	\$ 19,221,508	\$ 21,015,318	\$ (1,793,810)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25 %, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.25% or one percentage point higher 8.25% than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ 724,997	\$ (1,793,810)	\$ (3,883,361)

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

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

For the year ended June 30, 2018 the District recognized pension expense of \$335,924 in the government-wide financial statements. The District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 67,195
Changes in assumptions	316,681	-
Net differences between projected and actual earnings on pension plan investments	-	677,989
	<hr/>	<hr/>
Total	\$ 316,681	\$ 745,184
	<hr/> <hr/>	<hr/> <hr/>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2019	\$ 100,745
2020	(72,820)
2021	(342,555)
2022	(115,334)
2023	1,461
Total	<hr/> <hr/> \$ (428,503)

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$64,189 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

9. SELF-INSURANCE PLAN

The District has adopted a self-insured dental plan. This plan covers substantially all full-time employees of the District, and many employees also have family coverage.

The dental plan is fully self-insured and carries a limit on claims per year of \$1,200 per person. Claims are recognized as expenditures in the financial statements when paid. Actual dental claims paid during the fiscal year ended June 30, 2018 were \$48,676. There has not been a liability established for claims incurred but not paid as of June 30, 2018. The estimated amounts of those claims were not considered significant to the financial statements.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts or, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District has transferred these risks by purchasing insurance from a commercial enterprise. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

11. LEASES - LESSEE

The District entered into a lease agreement, through July 31, 2017, with an option for an additional three years. The District renewed the lease agreement through July 31, 2018. The total expense incurred during the year ending June 30, 2018, was \$46,121.

The District entered into a five year lease agreement for facilities at a rate of \$45,000 per year, expiring January 1, 2015. The terms of the lease require monthly payments of \$3,750. The District signed an addendum to the lease to be extended through January 1, 2020 at a rate of \$48,735. The terms of the lease require monthly payments of \$4,061. The total expense incurred during the year ending June 30, 2018, was \$48,735. This lease terminated effective August 2018.

The District leases space for a library branch office. The monthly rental payment is \$1,750 and the lease expires on November 30, 2019. The annual expense incurred on this lease was \$21,000 for the year ended June 30, 2018.

The District leases a parking lot adjacent to one of its libraries for \$500 per month on a month-to-month basis. Total expense for the fiscal year ended June 30, 2018 was \$6,000.

During the year ended June 30, 2018, the District entered into a lease agreement for building space, through July 31, 2023, with an option for two additional five-year terms. The effective date of this lease is August 2019 and is included in the future minimum rental payments listed below.

The following is a schedule of the future minimum rental payments anticipated under the leases as of and subsequent to June 30:

2019	\$	69,387
2020		111,847
2021		60,056
2022		64,460
2023		69,265
2024		23,222
Total	\$	<u>398,237</u>

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

12. LEASES - LESSOR

The District entered into a lease agreement to lease facilities through August 2019. In addition, the District leases excess space to another organization under an operating lease on a month-to-month basis. Rental income for the year ended June 30, 2018 was \$93,147.

The following is a schedule of the future lease rentals anticipated under the leases as of and subsequent to June 30:

2019	\$	5,762
	\$	<u>5,762</u>

13. TAX ABATEMENTS

As of June 30, 2018, the District is subject to the following tax abatement programs initiated by other governmental entities:

Real Property Chapter 100 RSMo:

City of O'Fallon	\$	92,924
City of Wentzville		105,663
City of St. Charles		13,131
City of St. Peters		45,814
		<u>257,532</u>

Real Property Chapter 353 RSMo:

City of Wentzville		8,613
City of St. Charles		1,441
City of St. Peters		5,530
City of Dardenne Prairie		3,996
City of Weldon Spring		2,028
		<u>21,608</u>
Grand Total	\$	<u>279,140</u>

14. NEW ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Government Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

In November 2016, the GASB approved Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses the accounting and financial reporting for certain asset retirement

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

Notes to Basic Financial Statements (continued)

obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB approved Statement No. 84, "Fiduciary Activities." This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB approved Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In March 2018, the GASB approved Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In August 2018, the GASB approved Statement No. 90, "Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61." The objective of this Statement is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The effects on the District's financial statements as a result of the adoption of these new pronouncements are unknown.

Required Supplementary Information

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 18,142,500	\$ 18,142,500	\$ 18,385,792	\$ 243,292
State aid, grants, and A&E taxes	201,170	201,170	276,433	75,263
Investment earnings	47,033	47,033	81,450	34,417
Donations	1,510	1,510	2,154	644
Miscellaneous	102,567	102,567	114,258	11,691
Copy fees, overdue books, fines, and other	626,080	626,080	691,695	65,615
Total Revenues	19,120,860	19,120,860	19,551,782	430,922
EXPENDITURES:				
Current Operations:				
Salaries and benefits	12,017,202	12,017,202	11,481,022	536,180
Library materials	3,271,345	3,311,345	3,156,572	154,773
Technology and telecommunications	578,640	538,640	328,426	210,214
Other operational expenditures	2,604,569	2,604,569	2,613,732	(9,163)
Capital outlay	668,375	668,375	336,369	332,006
Total Expenditures	19,140,131	19,140,131	17,916,121	1,224,010
NET CHANGE IN FUND BALANCE	(19,271)	(19,271)	1,635,661	\$ 1,654,932
FUND BALANCE, BEGINNING OF YEAR	18,940,939	18,940,939	18,940,939	
FUND BALANCE, END OF YEAR	\$ 18,921,668	\$ 18,921,668	\$ 20,576,600	

See accompanying independent auditors' report and note to required supplementary information

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. BUDGETARY INFORMATION

The District prepares its budget on the modified accrual basis of accounting. The budgetary process is detailed in Note 2 of the notes to the financial statements.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	June 30,			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 447,644	\$ 421,570	\$ 389,111	\$ 378,332
Interest on the total pension liability	1,282,663	1,236,011	1,161,392	1,099,646
Benefit changes	-	-	-	-
Difference between expected and actual experience	441,966	(267,166)	(612,950)	12,218
Assumption changes	-	-	734,926	-
Benefit payments	(830,979)	(690,984)	(628,502)	(658,605)
Refunds	-	-	-	-
Net change in total pension liability	1,341,294	699,431	1,043,977	831,591
Total pension liability beginning	17,880,214	17,180,783	16,136,806	15,305,215
Total pension liability ending	\$ 19,221,508	\$ 17,880,214	\$ 17,180,783	\$ 16,136,806
Plan Fiduciary Net Position				
Contributions-employer	\$ 559,910	\$ 533,440	\$ 530,110	\$ 518,531
Contributions-employee	-	-	16,868	-
Pension plan net investment income	2,373,575	2,112,685	(46,751)	329,825
Benefit payments	(830,979)	(690,984)	(628,502)	(658,605)
Refunds	-	-	-	-
Pension plan administrative expense	(13,659)	(13,233)	(11,693)	(11,650)
Other	152,379	102,051	119,866	138,977
Net change in plan fiduciary net position	2,241,226	2,043,959	(20,102)	317,078
Plan fiduciary net position beginning	18,774,092	16,730,133	16,750,235	16,433,157
Plan fiduciary net position ending	\$ 21,015,318	\$ 18,774,092	\$ 16,730,133	\$ 16,750,235
Employer net pension liability (asset)	\$ (1,793,810)	\$ (893,878)	\$ 450,650	\$ (613,429)
Plan fiduciary net position as a percentage of the total pension liability	109.33%	105.00%	97.38%	103.80%
Covered payroll	\$ 4,957,433	\$ 4,595,378	\$ 4,394,956	\$ 4,075,046
Employer's net pension liability (asset) as a percentage of covered payroll	-36.18%	-19.45%	10.25%	-15.05%

Notes to Schedule:

This schedule is intended to show information for ten years. GASB 68 was implemented during the year ended June 30, 2015; therefore, prior years are not available.

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Year ended June 30,	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$ 291,003	\$ 291,004	\$ (1)	\$ 3,548,821	8.2 %
2010	248,440	248,440	-	3,653,523	6.8
2011	437,371	289,109	148,262	3,706,532	7.8
2012	466,624	336,580	130,044	3,824,787	8.8
2013	496,139	376,913	119,226	3,846,038	9.8
2014	542,187	450,436	91,751	4,170,673	10.8
2015	553,119	502,063	51,056	4,254,760	11.8
2016	530,109	530,111	(2)	4,530,851	11.7
2017	533,440	533,440	-	4,762,857	11.2
2018	559,895	559,894	1	5,232,659	10.7

Notes to Schedule of Contributions

Valuation date: February 28 or 29 of each year

Notes: The roll-forward of total pension liability from February 28, 2018 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percent of payroll, closed
Remaining amortization period	Multiple bases from 13 to 17 years
Asset valuation method	5 years smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% - 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Summary of changes from February 28, 2017 valuation: None.

Supplementary Information

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
SALARIES AND RELATED EXPENDITURES:				
Salaries	\$ 9,720,001	\$ 9,720,001	\$ 9,366,804	\$ 353,197
Payroll taxes	716,261	716,261	707,936	8,325
Employee benefits	967,040	967,040	848,822	118,218
Pension	613,900	613,900	557,460	56,440
Total Salaries and Related Expenditures	12,017,202	12,017,202	11,481,022	536,180
LIBRARY MATERIALS:				
Books:				
Adult circulating	905,700	905,700	833,871	71,829
Juvenile	420,500	420,500	440,558	(20,058)
Database services	209,000	209,000	181,794	27,206
Periodicals	129,195	146,195	142,955	3,240
Microform and CD rom	718,750	701,750	688,498	13,252
Audio media	293,050	293,050	270,508	22,542
Video media	288,150	288,150	260,169	27,981
Streaming	175,000	215,000	215,000	-
Circulating equipment	14,500	14,500	12,200	2,300
Binding	94,500	94,500	91,837	2,663
Consortia	23,000	23,000	19,182	3,818
Total Library Materials	3,271,345	3,311,345	3,156,572	154,773
TECHNOLOGY AND TELECOMMUNICATION EXPENDITURES:				
Software	82,525	82,525	58,592	23,933
Consulting/professional fees	47,100	47,100	28,843	18,257
Telecommunications	243,160	243,160	154,441	88,719
Cabling	15,000	15,000	3,312	11,688
Equipment	190,855	150,855	83,238	67,617
Total Technology and Telecommunication Expenditures	578,640	538,640	328,426	210,214

See accompanying independent auditors' report

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER OPERATIONAL EXPENDITURES:				
Supplies	\$ 320,000	\$ 320,000	\$ 306,529	\$ 13,471
Insurance	90,000	90,000	84,334	5,666
Utilities	385,550	385,550	363,162	22,388
Programs and promotions	87,000	87,000	152,996	(65,996)
Vehicle operations and maintenance	27,000	27,000	24,302	2,698
Rent	120,735	120,735	121,856	(1,121)
Travel, training, and dues	93,230	93,230	110,091	(16,861)
Building maintenance	787,514	787,514	781,523	5,991
Miscellaneous	2,150	2,150	5,509	(3,359)
Publications	65,000	65,000	82,316	(17,316)
Advertising & other marketing	126,000	126,000	91,511	34,489
Equipment purchase	193,445	193,445	201,616	(8,171)
Equipment rental	650	650	1,304	(654)
Equipment service contracts	15,875	15,875	30,012	(14,137)
Equipment repair	10,300	10,300	11,763	(1,463)
Postage	22,000	22,000	21,514	486
Professional fees	159,700	159,700	120,245	39,455
Data processing	98,420	98,420	103,149	(4,729)
Total Other Operational Expenditures	2,604,569	2,604,569	2,613,732	(9,163)
CAPITAL OUTLAY:				
Capital projects	668,375	668,375	336,369	332,006
Total Capital Outlay	668,375	668,375	336,369	332,006
Total Expenditures	\$ 19,140,131	\$ 19,140,131	\$ 17,916,121	\$ 1,224,010

See accompanying independent auditors' report

Other Information



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

To the Members of the Board of Trustees
St. Charles City-County Library District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of the St. Charles City-County Library District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2018. We did not audit the financial statements of the discretely presented component unit. The governmental activities, the discretely presented component unit, the major fund, and the related notes to the financial statements, collectively comprise the District's basic financial statements.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 3, 2018

ST. CHARLES CITY-COUNTY LIBRARY DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

2018-001 SEGREGATION OF DUTIES

Condition: The Chief Financial Officer is the superuser of the computer application and performs daily accounting/finance activities.

Criteria: One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation.

Cause: Limited staffing in the finance department attributes to this.

Effect: This results in the risk that intentional or unintentional errors could be made and not be detected.

Recommendation: We recommend that the District delegate the system administrator role to someone independent of accounting functions. If complete segregation of duties cannot be achieved, the District should consider establishing mitigating controls, such as review of an audit log of all activity initiated by the Chief Financial Officer, including journal entries.

Management's Response: The Chief Financial Officer remains the super user of the computer application but performs minimal daily activities related to sub ledger transactions. Transactions are automated and/or mainly entered by staff; Chief Financial Officer's primary role is that of reviewer. All transactions are subject to an independent review per an updated journal process. An audit log of all activity initiated by the Chief Financial Officer and staff is available for review by Director/CEO or Deputy Director/CCEO at any time.