



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Meridian Library District

**Financial Statements
and Supplementary Information**

Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Meridian Library District
Meridian, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Meridian Library District, a single purpose entity as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meridian Library District, as of September 30, 2017, and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison and schedule of employer's share of net pension liability and employer contributions information on pages 27 and 28 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 the 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of Meridian Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 Meridian Library District's internal control over financial reporting and compliance.

Harris & Co. PLLC

Meridian, Idaho
December 20, 2017

**MERIDIAN LIBRARY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
September 30, 2017**

	General Fund	Note B	Net Position
Assets			
Cash and cash equivalents	\$ 5,439,381		\$ 5,439,381
Property taxes receivable	4,780,819		4,780,819
Receivables, net	20,062		20,062
Prepaid expenses	79,075		79,075
Fixed assets, net	0	4,576,837	4,576,837
Total Assets	10,319,337		14,896,174
Deferred Outflows of Resources – Pensions			
	0	270,426	270,426
Liabilities			
Accounts payable	91,604		91,604
Accrued liabilities	177,925		177,925
Compensated absences		160,386	160,386
Long-term liabilities, due beyond one year:			
Net pension liability	0	969,241	969,241
Total Liabilities	269,529		1,399,156
Deferred Inflows of Resources			
Deferred tax revenue	4,772,828		4,772,828
Pensions	0	145,392	145,392
Total Deferred Inflows	4,772,828		4,918,220
Fund Balance/ Net Position			
Fund Balances:			
Nonspendable	79,075		
Restricted	1,923		
Assigned	1,723,940		
Unassigned	3,472,042		
Total Fund Balances	5,276,980		
Total Liabilities, Deferred Inflows and Fund Balances	\$ 10,319,337		
Net Position:			
Nonspendable			79,075
Restricted			1,923
Invested in Capital Assets, Net of Related Debt			4,576,837
Unrestricted			4,191,389
Total Net Position			\$ 8,849,224

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2017

	General Fund	Note C	Statement of Activities
Expenditures			
Library Services			
Salary and fringe benefits	\$ 3,084,102	\$ (50,175)	\$ 3,033,927
Supplies, maintenance, and operations	454,190		454,190
Collection and programs	532,641		532,641
Administrative	89,122		89,122
Professional services	43,332		43,332
Information technology	226,470		226,470
Library mobile services	10,149		10,149
Professional development	40,349		40,349
Other expenses	8,768		8,768
Total	4,489,123		4,438,948
Depreciation expense		538,975	538,975
Loss on asset disposal		28,866	28,866
Capital outlay	78,508	(78,508)	0
Total Expenditures	4,567,631		5,006,789
Revenue			
Program revenues			
Fines and fees	48,030		48,030
Hillsdale librarian support	26,350		26,350
Copy and print services	15,870		15,870
Grants	15,257		15,257
Total Program Revenue	105,507		105,507
General revenue			
Taxes	4,641,657		4,641,657
Earnings on investments	44,462		44,462
Donations and sponsorships	14,249		14,249
State broadband reimbursement	11,967		11,967
Other Income	14,399		14,399
Total General Revenue	4,726,734		4,726,734
Total Revenue	4,832,241		4,832,241
Excess of Expenditures Over Revenue	264,610		
Change in Net Position			(174,548)
Fund Balance/ Net Position			
Beginning of Year	5,012,370		9,023,772
End of Year	\$ 5,276,980		\$ 8,849,224

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

Meridian Library District (the District) was organized under the provisions of Idaho Code Section 33-2703. The District is supported by fines, fees, grants, and property tax revenue passed through Ada County. Under the direction of the District's board of trustees, staff provides technical support services.

Financial Reporting Entity

The general purpose financial statements, included herein, present the financial position, results of operations and changes in fund balance of certain governmental fund types of Meridian Library District. For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units for which they exercise authority over.

The Meridian Library District is governed by an elected Board of Trustees which possesses final decision making authority and is held primarily accountable for those decisions. The Board of Trustees is responsible for approving the budget, establishing spending limitations, funding any deficits and borrowing funds and/or issuing bonds to finance construction.

Government-Wide and Fund Financial Statements

As allowed under GASB 34, the District is reported as a single purpose entity. This allows for the government-wide financial statements to be combined with the fund-level financial statements (i.e., the statement of net position and governmental fund balance sheet and, the statement of activities and governmental fund statement of revenues, expenditures, and changes in fund balances).

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements – (Continued)

The government-wide column of the financial statements (the statement of net assets and the statement of activities) reports information on all of the nonfiduciary activities of the District. The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. This has been considered a major fund.

The government-wide column of the financial statements is 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 the liabilities are incurred, regardless of when the related cash flow takes place. Revenue from grants is recognized when an expenditure under the terms of the grant have been satisfied.

The governmental fund column of the financial statements is reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds available if the revenues are collected within sixty days after year-end. Federal grant revenue, member dues, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in government funds. Acquisitions under capital leases are reported as other financing sources.

The District is accounted for as a special-purpose government engaged in a single governmental program. The combined statement of net position and the statement of activities display information about the District.

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

These statements include the financial activities of the overall reporting entity. The District is a special-purpose government engaged in a single governmental program. Therefore, it accounts for all of its financial resource under the general fund. The major sources of revenue are fines, fees, grants, and property tax revenue passed through Ada County.

Property taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Advanced revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim in the fiscal year, have been recorded as deferred inflows. Receivables that will not be collected within the available period have also been reported as deferred inflows on the government fund financial statements.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. In August, the District submits a proposed budget for the fiscal year commencing the following October 1 that is ratified by the governing body. The fiscal year 2017 budget was approved on August 17, 2016.
2. The Director is the disbursement officer for all funds in accordance with the approved budget.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.
4. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash

Cash and cash equivalents include cash on hand, cash in banks, and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities.

Investments

Idaho Code provides authorization for the investment of funds as well as specific direction regarding allowable investments. The District's policy is consistent with this direction. The District currently invests in interest bearing bank accounts and the State of Idaho local government investment pool.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The accounting treatment over equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Assets costing more than \$1,000 with a useful life of three years or more are included in capital assets. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The district holds land, buildings and various pieces of equipment with useful lives between 3 – 40 years.

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Accumulated Paid Time Off and Comp Time

The District provides paid time off (PTO) and compensatory time to its employees. It is the District's policy to permit employees to accumulate earned but unused PTO and compensatory time off. A liability is reported for unpaid accumulated PTO for full-time employees up to 320 hours and for part-time employees who work over 20 hours a week up to 160 hours. The liability is also reported for unpaid accumulated compensatory time for all non-exempt employees up to 240 hours.

Program Revenue

All restricted federal and state contracts are shown as program revenue. Revenue from contracts, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Program expenses are allocated to restricted program revenue when both restricted and unrestricted revenues are available.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2017, the District has deferred outflows of \$270,426 and deferred inflows of \$4,918,220 related to the pension plan and property taxes.

See notes to financial statements.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note A – Summary of Significant Accounting Policies (Continued)

Unavailable and Advanced Revenue

The District reports unavailable and advanced revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan’s fiduciary net position have been determined on the same basis as they are reported by the Base Plan. 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.

Note B – Explanation of Differences Between the Statement of Net Position and Governmental Fund Balance Sheet

Total fund balances in the District’s governmental fund may differ from the net position of the governmental activities reported in the statement of net position as a result of the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Fund Balance – Total Governmental Fund	\$ 5,276,980
Compensated absences	(160,386)
Deferred Outflow of Resources – Pensions	270,426
Net Pension Liability	(969,241)
Deferred Inflow of Resources – Pensions	(145,392)
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	<u>4,576,837</u>
Net Position of Governmental Activities:	<u>\$ 8,849,224</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note C – Explanation of Differences Between the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance

The net change in fund balances for governmental funds may differ from the change in net position for governmental activities reported in the statement of activities as a result of the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental funds.

Net Change in Fund Balances – Total Governmental Funds	\$ 264,610
Change in compensated absences	(11,610)
Net pension revenue	<u>61,785</u>
	314,785
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. This is the amount by which capital outlays of \$78,508 is exceeded by depreciation expense of \$538,975 and loss on asset disposals of \$28,866 in the current period.	<u>(489,333)</u>
Change in Net Position of Governmental Activities	<u>\$ (174,548)</u>

Note D – Deposits with Financial Institutions and Investments

Idaho Code provides authorization for the investment of funds as well as specific direction regarding allowable investments. The District's policy is consistent with this direction.

Banking and Investment Policy

As of September 30, 2017 the District had deposits or investments in the following accounts:

1. US Bank – General Checking (federally insured)
2. First Interstate Bank – Payroll (federally insured)
3. State of Idaho – Local Government Investment Pool (uncategorized)

See notes to financial statements.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note D – Deposits with Financial Institutions and Investments (Continued)

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents and they are carried at cost, which approximates market value.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Federally Insured	\$ 537,997	\$ 580,677	General
Uncollateralized	1,879	0	General
Collateralized by securities held by the pledging financial institution	<u>4,899,505</u>	<u>4,899,505</u>	General
	<u>\$ 5,439,381</u>	<u>\$ 5,480,182</u>	

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody’s, Standard & Poor’s, and Fitch’s. The rating of the LGIP as of September 30, 2009 was AAA. The LGIP terminated its rating service in December 2009 as the cost of the rating outweighed the benefit to the pool as a whole. The funds objectives and overall strategy and structure has not changed.

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The District’s banking and investment policy ranks yield behind safety and liquidity when making deposit and investment decisions, and invests accordingly to meet these policy requirements.

Custodial Credit Risk

For deposits and investments, 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 deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000 of the bank balance. At September 30, 2017, \$5,013,574 of the District’s deposits in financial institutions were uninsured by the FDIC. \$4,899,505 of the uninsured balance was deposited in the LGIP.

See notes to financial statements.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note D – Deposits with Financial Institutions and Investments (Continued)

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have any such investments.

Note E – Receivables

Receivables at September 30, 2017 are as follows:

2017 Property taxes	\$	4,749,839
2016 Property taxes		22,987
Previous years property taxes		<u>7,993</u>
Property taxes		4,780,819
Fines		17,914
Fines allowance		(12,540)
Other receivables		<u>14,688</u>
		<u>20,062</u>
Net total receivables	\$	<u>4,800,881</u>

Note F – Pension Plan

Plan Description

The Meridian Library District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of September 30, 2017 was as follows:

Retirees and beneficiaries currently receiving benefits	45,468
Terminated employees entitled to but not yet receiving benefits	12,669
Active plan members	<u>70,073</u>
	<u><u>128,210</u></u>

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

See notes to financial statements.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note F – Pension Plan (Continued)

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The Meridian Library District contributions were \$216,803 for the year ended September 30, 2017.

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

At September 30, 2017, Meridian Library District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Meridian Library District's proportion of the net pension liability was based on Meridian Library District share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, Meridian Library District proportion was 0.00061663 percent.

For the year ended September 30, 2017, Meridian Library District recognized pension revenue of \$61,785. At September 30, 2017 Meridian Library District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual expense	\$ 134,270	\$ 87,320
Changes in assumptions or other inputs	17,924	0
Net difference between projected and actual earnings on pension plan investments	0	58,072
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	57,763	0
Meridian Library District contributions subsequent to the measurement date	<u>60,469</u>	<u>0</u>
Total	<u>\$ 270,426</u>	<u>\$ 145,392</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

\$60,469 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 and 4.9 for the measurement period June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ (52,691)
2019	91,061
2020	25,838
2021	(57,404)
2022	0

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return, net of investment expenses	7.10%
Cost-of-living adjustments	1.00%

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note F – Pension Plan (Continued)

Capital Market Assumptions

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			<u>Expected Real Return</u>	<u>Expected Risk</u>
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>		
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected Arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation – Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

See notes to financial statements.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note F – Pension Plan (Continued)

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 %, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (<u>6.10%</u>)	Current Discount Rate (<u>7.10%</u>)	1% Increase (<u>8.10%</u>)
Employer's proportionate share of the net pension liability (asset)	\$ <u>2,252,716</u>	\$ <u>969,241</u>	\$ <u>(97,360)</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2017, Meridian Library District reported payables to the defined benefit pension plan of \$18,339 for legally required employer contributions and \$328 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note G – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>September 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 906,966	\$ 0	\$ 0	\$ 906,966
Artwork/collectibles	<u>25,500</u>	<u>0</u>	<u>0</u>	<u>25,500</u>
Net Capital assets not being depreciated	<u>932,466</u>	<u>0</u>	<u>0</u>	<u>932,466</u>
Assets being depreciated:				
Buildings	2,657,203	0	0	2,657,203
Improvements	1,055,558	5,732	0	1,061,290
Equipment	<u>5,395,034</u>	<u>72,776</u>	<u>(720,516)</u>	<u>4,747,294</u>
	9,107,795		0	8,465,787
Accumulated depreciation	<u>(4,974,091)</u>	<u>(538,975)</u>	<u>691,650</u>	<u>(4,821,416)</u>
Net Capital Assets being depreciated	<u>4,133,704</u>	<u>(460,467)</u>	<u>(28,866)</u>	<u>3,644,371</u>
Net Capital Assets	<u>\$ 5,066,170</u>	<u>\$ (460,467)</u>	<u>\$ (28,866)</u>	<u>\$ 4,576,837</u>

Note H – Compensated Absences

The following shows the activity in compensated absences at September 30, 2017.

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
Compensated absences	\$ <u>148,776</u>	\$ <u>171,681</u>	\$ <u>(160,071)</u>	\$ <u>160,386</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I – Fund Balance

As of September 30, 2017, fund balances of the governmental funds are classified as follows:

Non-Spendable - includes balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. As of September 30, 2017, there was \$79,075 non-spendable fund balance.

Restricted For - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. As of September 30, 2017, there is \$1,923 restricted for the Mayor's Book Club project.

Committed To – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end. The Board of Trustees are the highest level of decision making authority for the District. Commitments may be established through resolutions approved by the Board of Trustees. As of September 30, 2017, there were no amounts committed for any purpose.

Assigned To – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the finance committee or executive director. As of September 30, 2017, there are amounts of \$352,347 assigned for Capital Improvements and \$1,371,593 assigned for Capital Projects.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees or the finance committee has provided otherwise in its commitment or assignment actions.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note J – Operating Lease

The District leases buildings that house their locations throughout Meridian, Idaho. Monthly payments due under the lease are \$8,590 and increase 4% per year. The lease expires September 30, 2022. The future lease payments as of September 30, 2017 are as follows:

2018	\$	98,556
2019		102,504
2020		106,596
2021		110,868
2022		<u>115,296</u>
	\$	<u>533,820</u>

Lease expense for the year ended September 30, 2017 was \$103,080.

Note K – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases liability insurance through Idaho Counties Risk Management Program.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District's insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u> <u>GAAP Basis</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 4,410,810	\$ 4,490,606	\$ 79,796
Sales taxes	132,000	151,051	19,051
Fines and fees	62,500	48,030	(14,470)
Hillsdale librarian support	25,000	26,350	1,350
Copy and print services	11,000	15,870	4,870
Earnings on investments	18,113	44,462	26,349
Grants	0	15,257	15,257
Donations and sponsorships	3,585	14,249	10,664
State broadband reimbursement	0	11,967	11,967
Other	500	14,399	13,899
	<u>4,663,508</u>	<u>4,832,241</u>	<u>168,733</u>
Total Revenue	\$ 4,663,508	\$ 4,832,241	\$ 168,733
EXPENDITURES			
Salary and fringe benefits	\$ 3,281,816	\$ 3,084,102	\$ 197,714
Supplies, maintenance and operations	419,969	454,190	(34,221)
Collections and programs	515,400	532,641	(17,241)
Administrative	80,270	89,122	(8,852)
Professional services	42,600	43,332	(732)
Information technology	156,327	226,470	(70,143)
Library mobile services	8,500	10,149	(1,649)
Professional development	43,657	40,349	3,308
Other expenses	7,000	8,768	(1,768)
Capital outlay	107,969	78,508	29,461
	<u>4,663,508</u>	<u>4,567,631</u>	<u>95,877</u>
Total Expenditures	\$ 4,663,508	\$ 4,567,631	\$ 95,877
Excess of Revenue Over Expenditures	<u>0</u>	<u>264,610</u>	<u>264,610</u>

MERIDIAN LIBRARY DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2017

Schedule of Employer's Share of Net Pension Liability
PERSI – Base Plan
Last 10 – Fiscal Years *

	2015	2016	2017
Employer's portion of net the pension liability	0.0515553%	0.0581803%	0.0616633%
Employer's proportionate share of the net pension liability	\$ 678,899	\$ 1,179,404	\$ 969,241
Employer's covered-employee payroll	\$ 734,917	\$ 1,684,570	\$ 1,926,394
Employer's proportional share of the net pension Liability as a percentage of its covered-employee payroll	48.01%	70.01%	50.31%
Plan fiduciary net position as a percentage of the total pension liability	92.38%	87.26%	90.68%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Meridian Library District will present information for those years for which information is available.

Date reported is measured as of June 30, 2017

Schedule of Employer Contributions
PERSI – Base Plan
Last 10 – Fiscal Years *

Statutorily required contribution	\$ 162,810	\$ 172,948	\$ 218,067
Contributions in relation to the statutorily required contribution	\$ 162,810	\$ 192,621	\$ 218,067
Contribution (deficiency) excess	\$ 0	\$ 19,673	\$ 0
Employer's covered-employee payroll	\$ 734,917	\$ 1,684,570	\$ 1,926,394
Contributions as a percentage of covered employee Payroll	11.47%	11.43%	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Meridian Library District will present information for those years for which information is available.

Data reported is measured as of September 30, 2017.

FEDERAL REPORTS



**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***

Board of Trustees
Meridian Library District
Meridian, Idaho

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 Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Meridian Library District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Meridian Library District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Library 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 Meridian Library 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 preceding paragraph 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Harris & Co. PLLC

Meridian, Idaho
December 20, 2017