

ST. LOUIS COUNTY LIBRARY DISTRICT

FINANCIAL STATEMENTS

December 31, 2018

ST. LOUIS COUNTY LIBRARY DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet With the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government –Wide Statement of Activities	17
Statement of Fiduciary Net Position – Pension Trust Fund	18
Statement of Changes in Fiduciary Net Position – Pension Trust Fund	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Information – General Fund – Budgetary Basis – Unaudited	45
Schedule of District Contributions to Pension Plan – Unaudited	46
Schedule of Changes in the District's Net Pension Liability and Related Ratios – Unaudited	47
Schedule of Changes in Other Post-Employment Benefit Liability – Unaudited	48
Notes to Required Supplementary Information	49



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Independent Auditors' Report

Board of Trustees
St. Louis County Library District

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of St. Louis County Library District as of and for the year ended December 31, 2018, 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. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of St. Louis County Library District as of December 31, 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2018 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
April 10, 2019

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The discussion and analysis of the St. Louis County Library District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS – 2018

Key financial highlights for 2018 are as follows:

- The District's net position of \$129M increased by \$4.8M or 3.8 percent from 2017.
- Unrestricted net position increased \$2.7M or 3.3 percent from 2017.
- Total assets increased by \$8.1M or 3.1 percent from 2017.
- Total liabilities increased by \$8.3M or 6 percent from 2017.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at the District's specific financial conditions.

Government – Wide Financial Statements

The government-wide Statement of Net position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those assets. These two statements report the District's net position and the changes in those assets. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, in evaluating the overall position of the District, non-financial information such as changes in the District's tax base and the condition of District capital assets will also need to be evaluated.

The District's financial statements also include the activity of the St. Louis County Library Foundation, a separate not-for-profit corporation. The Foundation is accounted for as a discretely presented component unit. Accordingly, balances and transactions of the Foundation are presented in a separate column in the government-wide financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the District are divided into two categories: governmental funds and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds. The General Fund is the primary operating fund of the District and reports all of the financial resources of the District except those required to be accounted for in another fund. The Capital Projects Fund is used to account for resources to be used for the acquisition and construction of major capital assets.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

A separately issued report of the Pension Plan may be obtained by writing the St. Louis County Library District Employees' Pension Plan, 1640 South Lindbergh, St. Louis, Missouri 63131.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including a budgetary comparison schedule and information concerning the District's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

St. Louis County Library District as a Whole

The Statement of Net Position presents the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017.

TABLE 1
NET POSITION
December 31,

	2018	2017 (as restated)
ASSETS		
Current and other assets	\$ 125,187,799	\$ 146,049,714
Capital assets, net	144,940,900	116,014,900
Total assets	<u>270,128,699</u>	<u>262,064,614</u>
DEFERRED OUTFLOWS OF RESOURCES	4,538,652	821,692
LIABILITIES		
Current liabilities	7,190,904	4,459,320
Long-term liabilities	138,124,787	132,587,685
Total liabilities	<u>145,315,691</u>	<u>137,047,005</u>
DEFERRED INFLOWS OF RESOURCES	<u>329,989</u>	<u>1,580,241</u>
NET POSITION		
Net investment in capital assets	46,229,503	43,631,902
Restricted	3,116	509,634
Unrestricted	82,789,052	80,117,524
Total net position	<u>\$ 129,021,671</u>	<u>\$ 124,259,060</u>

A portion of the District's net position, less than .5%, represents resources that are subject to external restrictions on how they may be used. The District shows an increase of 3.3% in unrestricted net position at December 31, 2018 to total \$82,789,052.

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Assets increased by \$8.1M from 2017. An increase in Land, Buildings and Construction in progress of \$29.6M due to the ongoing construction plans was offset by a decrease in restricted cash of \$20.9M as funds are used for the construction.

Liabilities increased by \$8.3M largely due to the \$7.3M increase in the District's net pension liability.

Table 2 shows the changes in net position for the year 2018 compared to 2017.

TABLE 2
CHANGES IN NET POSITION
Year ended December 31,

	2018	2017 (as restated)
REVENUES		
Program revenues		
Charges for services	\$ 612,487	\$ 861,348
Operating grants and contributions	503,557	309,464
General revenues		
Property taxes	51,498,780	50,759,338
Other taxes	359,571	44,000
Unrestricted investment earnings	2,291,714	561,670
Miscellaneous	300,311	221,104
Total revenues	<u>55,566,420</u>	<u>52,756,924</u>
EXPENSES		
Culture and Recreation	46,945,629	44,598,016
Interest	3,858,180	4,077,851
Total expenses	<u>50,803,809</u>	<u>48,675,867</u>
Change in net position	4,762,611	4,081,057
Net position, beginning of year	<u>124,259,060</u>	<u>120,178,003</u>
Net position, end of year	<u>\$ 129,021,671</u>	<u>\$ 124,259,060</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The District's net position increased by \$4.8M in 2018 compared to an increase of \$0.5M in 2017. Total revenues increased by \$2.8M or 5.3% from 2017 and expenses increased \$2.1M or 4.4%. Key elements of the increase in net position are as follows:

- Property tax revenue increased by \$.7M due to increases in assessed valuations. Additionally, higher investment returns of \$1.7M due to more funds invested and higher interest rates.
- Culture and recreation expenses increased by \$2.3M over the last fiscal year primarily due to an increase in net pension liability of \$7.4M offset by a \$2.3M reduction in depreciation expense due to accelerated depreciation in 2017 for future buildings to be renovated.

Fund Financial Analysis

At the end of the current fiscal year, the St. Louis County Library District's governmental funds reported combined ending fund balances of \$107.8M, a decrease of \$21.5M over the prior year. Fund balance decreased for the year due to the use of cash in the Capital Projects Fund for the continuing of the Library District's construction plans. Of the 2018 ending balances, \$54.7M, or 50.7%, is restricted or assigned for facilities acquisition and construction, and \$41M, or 38%, is assigned for 2019 operations. The St. Louis County Library District has an unassigned fund balance of \$8.9M, or 8.2% of the total fund balance.

General Fund

The General Fund is the chief operating fund of the St. Louis County Library District. At the end of fiscal year 2018, the General Fund had a balance of \$82M, of which \$8.9M was unassigned, and \$41M was assigned for 2019 operations. The fund balance in the General Fund increased over prior year by \$7.4M largely due to an increase in property and other taxes.

Capital Projects Fund

In 2013, the St. Louis County Library District opened a Capital Projects Fund which was funded by the issuance of Certificates of Participation in April, 2013. Additionally, the District issued Certificates of Participation in September, 2016. The balance of the Capital Projects Fund at the end of 2018 was \$25.8M, all of which was restricted for facility acquisition and construction. The funds being used are part of a three phase plan to improve, or build new, all of St. Louis County Library District buildings.

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Budgetary Highlights

The District adopts an annual Maintenance and Operations budget for its general fund that is prepared according to Missouri State Statutes.

During the course of 2018, the District amended its General Fund budget. All recommendations for a budget change are presented by the Library's Administration to the Board of Trustees. The General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

Final budgeted revenues for the General Fund were \$53.4M; and the actual revenue was \$53.6M. The variance of \$.2M was approximately .44%. Actual expenditures of \$41.4M were under budget by \$.9M or 2.2%.

Capital Assets

TABLE 3
CAPITAL ASSETS
December 31,

	2018	2017
Land	\$ 17,765,213	\$ 11,235,771
Buildings	101,106,839	95,176,137
Machinery and equipment	10,844,214	10,261,840
Vehicles and trailers	1,124,299	1,146,422
Collections	44,285,539	42,523,241
Construction in progress	21,010,454	3,909,556
Subtotal	<u>196,136,558</u>	<u>164,252,967</u>
Less accumulated depreciation	<u>(51,195,658)</u>	<u>(48,238,067)</u>
Net property, plant and equipment	<u>\$ 144,940,900</u>	<u>\$ 116,014,900</u>

Capital assets for the District as of December 31, 2018 are \$144.9M (net of accumulated depreciation). The increase of \$28.9M in assets is largely due to the renovation or completion of new buildings for the District and the associated new equipment and shelving for each renovated, or newly constructed, branch. Additionally, the Library District added land for the construction of new facilities.

Changes in the values of the collections are due to fluctuations in the composition of the collections.

Additional information on the District's capital assets can be found in Note 4 of this report.

ST. LOUIS COUNTY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Debt Administration

At the end of the current fiscal year, the St. Louis County Library District had \$124.5M in outstanding Certificates of Participation, including unamortized premiums. The debt was issued in April, 2013 and September, 2016. The debt is part of a three phase plan to improve existing Library buildings and to construct new Library buildings which will replace older facilities. At the end of 2018, sixteen of the nineteen buildings to be renovated or constructed have been completed.

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation debt to five percent of the assessed valuation of the district. However, obligations secured by annually appropriated funds, such as the 2013 and 2016 Certificates, do not constitute indebtedness for the purposes of any Missouri statutory or constitutional debt limit.

Economic Factors and Next Year's Budgets

- Assessed valuations increased .4% in 2018. 2019 is a year of reassessment.
- The 2019 budget was prepared using an assessed tax rate of \$.234 for residential property, \$.259 for commercial property, \$.225 for personal property and \$.217 for agricultural property.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Director of Administration, St. Louis County Library District, 1640 South Lindbergh Boulevard, St. Louis, MO 63131.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2018

	Primary Government	Component Unit
	Governmental Activities	St. Louis County Library Foundation
ASSETS		
Cash and investments	\$ 60,718,902	\$ 3,343,743
Receivables		
Property taxes, net of allowance for uncollectables of \$1,505,531	31,845,430	-
Financial institution tax	541,797	-
Grants and contributions	107,257	196,141
Interest	317,621	-
Prepaid items and other assets	866,418	299,149
Restricted cash and investments	30,790,374	-
Land and construction in progress	38,775,667	-
Other capital assets, net of accumulated depreciation	106,165,233	-
Total assets	270,128,699	3,839,033
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pensions	4,244,083	-
Deferred amounts related to other post-employment benefits	294,569	-
Total deferred outflows of resources	4,538,652	-
LIABILITIES		
Accounts payable and accrued expenses	6,192,095	27,905
Accrued interest	998,809	-
Accrued vacation	1,111,093	-
Noncurrent liabilities:		
Due within one year	2,500,000	-
Due in more than one year		
Net pension liability	11,826,916	-
Other post-employment benefit obligation	681,543	-
Other	122,005,235	1,489
Total liabilities	145,315,691	29,394
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pensions	329,989	-
NET POSITION		
Net investment in capital assets	46,229,503	-
Restricted for endowments, expendable	3,116	-
Restricted for facilities acquisition and construction	-	2,138,490
Restricted for other purposes	-	872,606
Unrestricted	82,789,052	798,543
Total net position	\$ 129,021,671	\$ 3,809,639

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF ACTIVITIES Year ended December 31, 2018

	Program revenues		Net (expense) revenue and changes in net position	
Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government			Primary government	
Governmental activities			Total governmental activities	
Culture and recreation	\$ 46,945,629	\$ 612,487	\$ 503,557	\$ -
Debt service	3,858,180	-	-	-
Interest and fiscal charges	\$ 50,803,809	\$ 612,487	\$ 503,557	\$ -
Total primary government	\$ 1,549,670	\$ -	\$ 2,058,137	\$ -
Component unit			Component unit	
St. Louis County Library Foundation	\$ 1,549,670	-	\$ 2,058,137	\$ -
		51,498,780		-
		359,571		-
		2,291,714		42,776
		300,311		4,893
		54,450,376		47,669
		4,762,611		556,136
		124,259,060		3,253,503
		\$ 129,021,671		\$ 3,809,639

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 60,718,902	\$ -	\$ 60,718,902
Receivables			
Property taxes, net of allowance for uncollectables of \$1,505,531	31,845,430	-	31,845,430
Interest	291,627	25,994	317,621
Financial institution tax	541,797	-	541,797
Other	107,257	-	107,257
Prepaid items and other assets	866,418	-	866,418
Restricted cash and investments	-	30,790,374	30,790,374
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 94,371,431</u>	<u>\$ 30,816,368</u>	<u>\$ 125,187,799</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,169,565	\$ 5,022,530	\$ 6,192,095
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	10,269,718	-	10,269,718
Unavailable revenue - other	916,439	-	916,439
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	11,186,157	-	11,186,157
FUND BALANCES			
Nonspendable (prepaid items)	866,418	-	866,418
Restricted for memorial funds	3,116	-	3,116
Restricted for facilities acquisition and construction	-	25,793,838	25,793,838
Assigned for:			
2019 operations	41,007,750	-	41,007,750
Facilities acquisition and construction	28,885,635	-	28,885,635
Pension plan contributions	2,360,562	-	2,360,562
Unassigned	8,892,228	-	8,892,228
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>82,015,709</u>	<u>25,793,838</u>	<u>107,809,547</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 94,371,431</u>	<u>\$ 30,816,368</u>	<u>\$ 125,187,799</u>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION December 31, 2018

Total fund balance - governmental funds	\$ 107,809,547
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$196,136,558 and the accumulated depreciation is \$51,195,658.	144,940,900
Certain revenues are not available soon enough to pay for current period expenditures and therefore reported as deferred inflows of resources in the governmental funds.	11,186,157
Deferred outflows of resources are not current financial resources and therefore not reported in the funds.	4,538,652
Certain liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds.	
Accrued vacation	(1,111,093)
Accrued interest	(998,809)
Net pension liability	(11,826,916)
Deferred amounts related to pension	(329,989)
Other postemployment benefit obligation	(681,543)
Certificates of participation	(121,170,000)
Unamortized premium	(3,335,235)
Total net position - governmental activities	<u>\$ 129,021,671</u>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year ended December 31, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenue			
Property taxes	\$ 53,574,654	\$ -	\$ 53,574,654
Other taxes	575,011	-	575,011
State aid	326,226	-	326,226
Grants	177,331	-	177,331
Fines and fees	345,898	-	345,898
Investment earnings	753,765	1,106,477	1,860,242
Sale of surplus materials	39,439	-	39,439
Copier income	266,589	-	266,589
Miscellaneous	246,971	13,901	260,872
Total revenue	56,305,884	1,120,378	57,426,262
Expenditures			
Current			
Salaries and benefits	27,596,770	-	27,596,770
Personnel supplies and services	350,534	-	350,534
Library collections	7,999,795	-	7,999,795
Library collections maintenance and supplies	571,146	-	571,146
Equipment and office supplies	333,162	-	333,162
Printing and program expenses	725,321	-	725,321
Postage	97,251	-	97,251
Utilities	1,375,302	-	1,375,302
Custodial supplies and services	384,160	-	384,160
Mobile operations	122,237	-	122,237
Insurance	316,081	-	316,081
Building maintenance	272,940	-	272,940
Building operation	1,108,573	-	1,108,573
Professional fees	220,946	-	220,946
Travel and meetings	119,526	-	119,526
Miscellaneous	8,382	-	8,382
Capital outlay			
Automotive	73,011	-	73,011
Furniture	81,647	-	81,647
Equipment	32,155	-	32,155
Technology	662,502	-	662,502
Facilities acquisition and construction	23,345	30,071,398	30,094,743
Debt service			
Principal retirements	2,400,000	-	2,400,000
Interest and fiscal charges	4,025,698	-	4,025,698
Total expenditures	48,900,484	30,071,398	78,971,882
CHANGE IN FUND BALANCES	7,405,400	(28,951,020)	(21,545,620)
Fund balances at January 1, 2018	74,610,309	54,744,858	129,355,167
Fund balances at December 31, 2018	\$ 82,015,709	\$ 25,793,838	\$ 107,809,547

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES Year ended December 31, 2018

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

Net change in fund balance - total governmental funds \$ (21,545,620)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	36,920,896
Depreciation expense	(7,994,896)
	<hr/>
	28,926,000

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.

Net OPEB liability	(344,868)
Net pension liability	(7,375,433)
Deferred amounts related to pension	4,374,068
Deferred amounts related to other post-employment benefits	294,569
Accrued vacation	(70,181)
Interest on long-term debt	15,563
Amortization of bond premium	151,955

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This activity for the current year is as follows:

Principal retirements on certificates of participation	2,400,000
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Because some revenues will not be collected within 60 days of year end, they are not considered "available" revenue and therefore reported as deferred inflows of resources in the governmental funds. They are, however, recorded as revenues in the Statement of Activities. Deferred inflows of resources decreased this year.

	<hr/>
	(2,063,442)

Change in net position of governmental activities

	<hr/>
	\$ 4,762,611
	<hr/>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND

December 31, 2018

	<u>2018</u>
ASSETS	
Cash and short-term investments	\$ 793,572
Investments, at fair value	
Equity securities	28,058,623
Fixed income securities	<u>15,600,381</u>
	43,659,004
Prepaid expense	231,266
Accrued interest and dividends	<u>38,664</u>
Total assets	44,722,506
LIABILITIES	
Accounts payable	<u>5,828</u>
Net position restricted for pensions	<u><u>\$ 44,716,678</u></u>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND Year ended December 31, 2018

ADDITIONS

Investment income	
Interest and dividends	\$ 990,504
Net depreciation in fair value of investments	<u>(3,895,761)</u>
Total investment income	(2,905,257)
Less investment expense	<u>82,185</u>
Net investment income	(2,987,442)
Employer contributions	<u>1,914,634</u>
Total additions	(1,072,808)

DEDUCTIONS

Benefits paid to participants	2,795,120
Operating expenses	
Professional fees	119,991
Miscellaneous	<u>1,642</u>
Total operating expenses	<u>121,633</u>
Total deductions	<u>2,916,753</u>

CHANGE IN NET POSITION (3,989,561)

Net position - restricted for pension benefits at January 1, 2018	<u>48,706,239</u>
Net position - restricted for pension benefits at December 31, 2018	<u>\$44,716,678</u>

See notes to financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Louis County Library District (the “District”) was established as a political subdivision of the State of Missouri with taxing authority by an election in 1946. The five-person Board of Trustees is appointed by the County Executive. The District is required to make an annual report to the County governing body and to the Missouri State Library. The District provides public library services through 20 branches and 7 bookmobiles throughout St. Louis County.

Basis of Accounting

The financial statements of the District and its component unit have been prepared in conformity with accounting principles generally accepted in the United States, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting-body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

Reporting Entity

These financial statements include the District (the primary government) and its discretely presented component unit, the St. Louis County Library Foundation (Foundation). Generally accepted accounting principles require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units may be presented as blended or discretely presented in the financial statements. Blended component units, although legally separate entities, are in substance, part of the primary government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The Foundation is a separate not-for-profit organization formed in 2000 for the purpose of accepting contributions from the community to fund certain programs for the exclusive benefit of the District. Separate financial statements are not issued for the Foundation.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function.

Program revenues include charges paid by the recipients of goods and services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

The District has organized its accounts on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue, and expenditures or expenses. 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. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column. A description of the activities of the major governmental funds are provided below:

General Fund

General Fund is the primary operating fund of the District. The fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources to be used for the acquisition and construction of major capital assets.

Additionally, the District reports the following fiduciary fund:

Pension Trust Fund

The pension trust fund accounts for assets held in a trustee capacity for the District's retirement system.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 revenues in the year for which they were levied. Grants and similar items are recognized as revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and other postemployment benefits, are recorded only when payments are due.

Investments

Investments are reported at fair value as described in Note 2. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Property Taxes

Property taxes receivable are reported net of an allowance for uncollectible taxes. The allowance for uncollectible property taxes is estimated based on historical collection rates.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Restricted Assets

Restricted assets consist of cash and investments that are legally restricted as to their use and include unspent proceeds from the issuance of certificates of participation.

Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and collections, are reported in the government-wide statement of net position but are not reported in the fund financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair value as of the date received. The District maintains a capitalization threshold of \$2,500 for furniture, shelving, computers, and shop equipment and \$5,000 for bookmobiles. Collection items are capitalized compositely based on end of year holdings. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Buildings	50
Building improvements	Determined individually
Furniture, equipment, and collection items	5 - 25
Computer and software	3
Shelving	25
Vehicles and trailers	5

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. Deferred outflows of resources reported in the District's statement of net position include (1) a deferred outflow of resources for expected pension plan investment earnings in excess of the actual amounts included in determining pension expense (2) a deferred outflow of resources for changes in assumptions about future economic/demographic factors used in determining pension and OPEB expense (3) difference between the actual and expected demographics for the District's single employer defined benefit plan. The deferred outflows of resources are attributed to pension and benefits expense over the next 5 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's Statement of Net Position and its Governmental Funds Balance Sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources reported in the District's Statement of Net Position consist of differences between the actual and expected demographics for the District's single employer defined benefit plan. These deferred inflows of resources are attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered to be available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes, interest earnings and grants are reported in the Governmental Funds Balance Sheet.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Vacation benefits are available to all employees who have worked six months or more. Employees cannot accrue more than 30 days of vacation unless authorized by the Library Director. Accrued vacation time is recognized as a liability when earned and any unused accumulated vacation is payable to employees upon termination. Accrued vacation is recorded in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if the amount is due at year end and payable with current resources.

Unused sick leave accumulates but does not vest; and, therefore, an accrual is not made in the financial statements. Under the pension plan, however, unused sick leave is calculated as part of credited service. An additional month of credited service is added for every 168 hours of unused sick leave up to a maximum of four months.

Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. Premiums and discounts are amortized over the life of the debt.

In the governmental funds, premiums and discounts on debt issuances are recognized during the current period. The face amount of debt issued is reported as other financing sources, as are related premiums. Discounts on debt issuances are reported as other financing uses.

Equity Classifications

In the government-wide and fiduciary fund financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consist of capital assets, including restricted capital assets, net of accumulated depreciation and, if applicable, the outstanding balance of debt, excluding unexpended debt proceeds, that are directly attributable to the acquisition, construction, or improvement of those assets.

Restricted - consist of net position with constraints imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted - Consist of net position that does not meet the definition of restricted or net investment in capital assets.

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

In the governmental fund financial statements, equity is classified as fund balance. Governmental funds report the following classifications of fund balance:

Nonspendable - consists of funds that cannot be spent due to their form (e.g., inventories and prepaid expenditures) or funds that legally or contractually must be maintained intact.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Restricted - consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed - consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority, the Board of Trustees. Formal action 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 - consists of funds that are set aside with the intent to be used for a specific purpose. Under the District's adopted policy, amounts may be assigned by the Manager, Finance. Assigned funds cannot cause a deficit in unassigned fund balance. An explanation of the nature and purpose of each assignment is as follows.

Assigned for 2019 operations - Those funds, consisting of 2018 property taxes as well as interest accrued at December 31, 2018, are assigned to cover District expenditures that will be incurred in the course of normal operations in 2019.

Assigned for facilities acquisition and construction - Funds otherwise unassigned, in excess of 20% of the subsequent year operating expenditures are assigned for facilities acquisition, construction and other capital improvements as approved by the Board of Trustees.

Assigned for pension plan contributions - These funds are designated for the Pension Plan contribution in 2019 for participants in the Plan at December 31, 2018.

Unassigned - These funds consist of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides for the resources necessary to meet unexpected expenditures and revenue shortfalls.

District policy requires the unassigned fund balance of the General Fund at each fiscal year end to be between 15% and 20% of the following year's budgeted operational expenses. The target percentage is 17.5%. Funds in excess of 20% will be assigned for facilities acquisition, construction and other capital improvements as directed by the Board of Trustees.

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 unless legal requirements disallow it. 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 has provided otherwise in its commitment or assignment actions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Adoption of New Accounting Standards

The District approved GASB Statement No. 74 *“Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans”* and GASB Statement No. 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. The objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) and establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The adoption of this statement added additional disclosures to the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2018 is as follows:

Deposits	
Cash	\$ 4,881,510
Certificates of deposit	17,275,959
Investments	
Repurchase agreements	29,383,347
Money market funds	30,827,805
U.S. Agency issues	9,934,227
Pension trust fund	
Fixed income mutual funds	15,600,381
Equity securities	28,058,623
	<u>\$ 135,961,852</u>

The deposits and investments are summarized and presented in the financial statements as follows:

Cash and investments - governmental funds	\$ 60,718,902
Restricted cash and investments - governmental funds	30,790,374
Cash and short-term investments - fiduciary funds	793,572
Investments - fiduciary funds	<u>43,659,004</u>
Total reporting entity	<u>\$ 135,961,852</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Investment Policy

The District's investment policy and activity is conducted in accordance with Section 182.800 of the Missouri Revised Statutes. State Statutes authorize Missouri political subdivisions to invest in obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements, certificates of deposit, bankers' acceptances, commercial paper, and in any instrument received as a gift by the District. Deposits in financial institutions must be collateralized by securities pledged by the custodian bank to the District or covered by FDIC insurance. These guidelines apply to the District's investments that are not held by a trustee in connection with the Pension Plan.

The District's Pension Plan is authorized to invest excess cash in any investment authorized by the Plan's investment policy. Permissible investment instruments are: United States Treasury Notes, Certificates of Deposit, U.S. Government and Federal Agency Bonds, corporate bonds (minimum AA rated), common stock or fixed income funds managed by a registered investment advisor, convertible preferred stock, foreign stock, commercial paper (minimum A-2/P-2 rating) and equities in other companies with a market capitalization of \$1 billion or greater.

Credit Risk

In accordance with the State's model investment policy, the District minimizes credit risk, the risk of loss due to the failure of the security issuer or backer by pre-qualifying the financial institutions, broker/dealer, intermediaries, and advisors with which the District will do business. The District diversifies the portfolio so that potential losses on individual securities will be minimized.

The following table provides information on the credit ratings associated with the District's investments, including the Pension Plan, in debt securities, excluding obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government at December 31, 2018:

<u>Security</u>	<u>Debt securities at fair value</u>	<u>Average credit quality</u>
Governmental funds		
Federal Home Loan Bank	\$ 2,973,360	AA+
Federal Home Loan Mortgage Corporation	4,019,576	AA+
Pension trust fund		
Legg Mason Global Opportunities Bond Fund	1,552,897	BBB
Credit Suisse Floating Rate High Income Fund	2,278,660	B
Baird Core Plus Bond Fund	5,783,055	BBB
Dodge & Cox Income Fund	5,985,769	A
	<u>\$ 22,593,317</u>	

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in short-term securities.

U.S. Agency issues in the portfolio carry a weighted average maturity of 1.46 years. The District’s pension fund investments in fixed income mutual funds have weighted average maturities of 11.11 years for the Legg Mason Global Opportunities Bond Fund, 8.30 years for the Dodge & Cox Income Fund, 7.82 years for the Baird Core Plus Bond Fund and 3.01 years for the Credit Suisse Floating Rate High Income Fund.

Concentration of Credit Risk

For the District, which follows State Statutes, there is no limit on the amount the District may invest in any one issuer with respect to U.S. Treasury securities and collateralized time and demand deposits. Based upon the model investment policy of the State, obligations with agencies of the U.S. Government and government-sponsored enterprises are limited to 60% of the portfolio and collateralized repurchase agreements are limited to 50% of the portfolio. U.S. Government agency callable securities are limited to 30% of the portfolio, and commercial paper and bank acceptances are limited to 25% of the portfolio, each. The following table lists investments in issuers, excluding mutual funds and investments issued or explicitly guaranteed by the U.S. Government, which represent 5% or more of total investments at December 31, 2018:

Issuer	Percent of total investments
Commerce Bank - repurchase agreement	42%
Federal Home Loan Mortgage Company	6%

For the Pension Trust fund, investments in equities must be between 40% and 75% of total plan assets with a target percentage of 60%. Should the amount of money entrusted to the managed portfolio exceed 75% of the total assets, the equity allocation in the managed portfolio will be reduced to a neutral 60% weight. The Trustees, or Library Staff so authorized by the Trustees, shall monitor these allocations on a monthly basis and notify the Investment Advisors at least once per year if a change in allocations is required.

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments in securities are exposed to custodial credit risk if the securities are uninsured, not registered in the District’s name and held by the counterparty.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by letters of credit naming the District as beneficiary, or by a single collateral pool established by the financial institution.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Equity investments				
Common stocks				
Domestic	\$ 4,017,649	\$ -	\$ -	\$ 4,017,649
International	85,127	-	-	85,127
Mutual funds				
Domestic	12,222,992	-	-	12,222,992
International (ADR)	8,295,497	-	-	8,295,497
Fixed income investments				
Asset backed securities	5,783,055	-	-	5,783,055
Diversified taxable mutual funds	7,538,666	-	-	7,538,666
Taxable high yield funds	2,278,660	-	-	2,278,660
U.S. Agency issues	-	9,934,227	-	9,934,227
Hybrids				
Balanced funds	2,449,253	-	-	2,449,253
Total investments by fair value level	<u>\$ 42,670,899</u>	<u>\$ 9,934,227</u>	<u>\$ -</u>	52,605,126
Investments measured at Net Asset Value (NAV)				
KCM Small Cap Core Fund, LLC				<u>988,105</u>
Total investments measured at fair value				<u>\$ 53,593,231</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used by the Plan to measure assets at estimated fair value. There were no changes in the methodologies used at December 31, 2018.

When available, the District uses quoted prices to determine the fair value of investments. Investments in common stock, mutual funds, and asset backed securities are valued based on the quoted market price of the investments on their respective exchange. These assets are Level 1.

When quoted market prices for investments are unobservable, the District uses quotes from independent pricing services based on recent trading activity information including market interest rate curves, dealer quotes, the U.S. treasury yield curve and bond terms and conditions. These investments are included in Level 2 and consist of U.S. Government agency obligations.

The valuation methods for investments measured at net asset value (NAV) per share (or its equivalent) as provided by the investee entity or fund manager is presented on the following table.

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>
KCM Small Cap Core Fund, LLC	<u>\$ 988,105</u>	n/a	1st and 15th

KCM Small Cap Core Fund, LLC is a separate collective investment portfolio under the trust known as KCM Limited Liability Corp Unit. The fund and the trust are sponsored and maintained by Kennedy Capital Management. KCM Small Cap Core Fund, LLC is benchmarked to the Russel 2000® Index and they focus on equities with a market capitalization representative of the Russel 2000® Index.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,235,771	\$ 6,529,442	\$ -	\$ 17,765,213
Construction in progress	3,909,556	23,601,690	6,500,792	21,010,454
Total capital assets, not being depreciated	15,145,327	30,131,132	6,500,792	38,775,667
Capital assets, being depreciated				
Buildings	95,176,137	5,930,702	-	101,106,839
Furniture and shelving	6,090,999	530,343	-	6,621,342
Computer and equipment	2,381,329	158,019	192,616	2,346,732
Software	618,010	81,869	-	699,879
Vehicles and trailers	1,146,422	73,729	95,852	1,124,299
Shop equipment	1,171,502	4,759	-	1,176,261
Collections	42,523,241	6,511,135	4,748,837	44,285,539
Total capital assets, being depreciated	149,107,640	13,290,556	5,037,305	157,360,891
Less accumulated depreciation for				
Buildings	22,279,160	2,114,270	-	24,393,430
Furniture and shelving	1,021,800	447,732	-	1,469,532
Computer and equipment	1,823,772	323,787	192,616	1,954,943
Software	542,729	47,032	-	589,761
Vehicles and trailers	749,927	76,622	95,852	730,697
Shop equipment	532,633	109,901	-	642,534
Collections	21,288,046	4,875,552	4,748,837	21,414,761
Total accumulated depreciation	48,238,067	7,994,896	5,037,305	51,195,658
Total capital assets, being depreciated, net	100,869,573	5,295,660	-	106,165,233
Governmental activities capital assets, net	\$ 116,014,900	\$ 35,426,792	\$ 6,500,792	\$ 144,940,900

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended December 31, 2018:

	<u>Balance at January 1, 2018</u>	<u>Reductions</u>	<u>Balance at December 31, 2018</u>	<u>Amount due within one year</u>
Certificates of participation Series 2013	\$ 44,125,000	\$ (1,425,000)	\$ 42,700,000	\$ 1,475,000
Certificates of participation Series 2016	79,445,000	(975,000)	78,470,000	1,025,000
Unamortized premium Series 2013	2,129,611	(104,735)	2,024,876	-
Unamortized premium Series 2016	1,357,579	(47,220)	1,310,359	-
Total long-term obligations	<u>\$ 127,057,190</u>	<u>\$ (2,551,955)</u>	<u>\$ 124,505,235</u>	<u>\$ 2,500,000</u>

Principal and interest on the certificates of participation are liquidated through the General Fund.

In 2013, the District issued certificates of participation evidencing interest in the right to receive rental payments to be paid by the District pursuant to an annually renewable lease-purchase agreement. The proceeds of the certificates were used and will be used to acquire, construct, reconstruct, furnish and equip the District's library facilities. Principal is payable annually beginning April 1 and interest is payable semiannually on April 1 and October 1 at rates ranging from 2% to 5%. The certificates are secured by a security interest in the leased property.

In conjunction with the issuance of the certificates of participation, the District leased to a trustee the land on which five of the District's 20 library facilities are located. The trustee then leased the property, along with improvements financed by the issuance of the certificates, back to the District for an initial lease term ended December 31, 2013, with twenty-five successive one-year renewal options. Each renewal is subject to annual appropriation by the District.

The District's obligations under the lease are year to year and do not extend beyond the amount budgeted for any respective fiscal year. The District has the option to purchase the Trustee's interest in the leased property on any date at a purchase price equal to an amount to provide for the remaining rental payments due through the term of the lease.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following is a schedule of rental payments under the lease, assuming the agreement is renewed each year:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,475,000	\$ 1,492,816	\$ 2,967,816
2020	1,545,000	1,424,691	2,969,691
2021	1,600,000	1,370,066	2,970,066
2022	1,645,000	1,321,166	2,966,166
2023	1,720,000	1,245,266	2,965,266
2024-2028	9,665,000	5,165,181	14,830,181
2029-2033	11,460,000	3,375,619	14,835,619
2034-2038	13,590,000	1,250,783	14,840,783
	<u>\$ 42,700,000</u>	<u>\$ 16,645,588</u>	<u>\$ 59,345,588</u>

On September 19, 2016, the District issued certificates of participation evidencing interest in the right to receive rental payments to be paid by the District pursuant to an annually renewable lease-purchase agreement. The proceeds of the certificates were used and will be used to acquire, construct, reconstruct, furnish and equip the District's library facilities. Principal is payable annually beginning April 1 and interest is payable semiannually on April 1 and October 1 at rates ranging from 2% to 5%. The certificates are secured by a security interest in the leased property.

In conjunction with the issuance of the certificates of participation, the District leased to a trustee the land on which 15 of the District's 20 library facilities are located. The trustee then leased the property, along with improvements financed by the issuance of the certificates, back to the District for a series of one-year terms, with a final renewal term commencing January 1, 2046 and ending April 2, 2046. Each renewal is subject to annual appropriation by the District.

The District's obligations under the lease are year to year and do not extend beyond the amount budgeted for any respective fiscal year. The District has the option to purchase the Trustee's interest in the leased property on any date at a purchase price equal to an amount to provide for the remaining rental payments due through the term of the lease.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following is a schedule of rental payments under the lease, assuming the agreement is renewed each year:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,025,000	\$ 2,462,669	\$ 3,487,669
2020	1,075,000	2,441,669	3,516,669
2021	1,130,000	2,402,669	3,532,669
2022	1,190,000	2,344,669	3,534,669
2023	1,255,000	2,283,544	3,538,544
2024-2028	7,295,000	10,416,719	17,711,719
2029-2033	8,820,000	9,066,916	17,886,916
2034-2038	10,130,000	7,757,863	17,887,863
2039-2043	27,775,000	4,949,625	32,724,625
2044-2046	18,775,000	856,275	19,631,275
	<u>\$ 78,470,000</u>	<u>\$ 44,982,618</u>	<u>\$ 123,452,618</u>

NOTE 6 – PENSION PLAN

Plan Description

The District contributes to a single-employer defined benefit pension plan established and maintained by the District to provide pension benefits for its employees. The expense for providing these benefits is reflected in the General Fund. The Plan is administered through a separate trust fund under the control of the Pension Board of Trustees.

All full-time District employees are eligible to participate after six calendar months of employment. Benefits are fully vested after five years of service. A District employee who retires at the age of 65 with five years of credited service is entitled to a monthly retirement pension of one and six-tenths percent of the pensioner's average salary for the highest 60 consecutive calendar months within the 120 calendar months preceding termination of employment, multiplied by the number of years of credited service. At December 31, 2018, membership in the Plan consisted of the following:

Active members	362
Retirees and beneficiaries currently receiving benefits	300
Terminated employees entitled to benefits but not yet receiving them	<u>49</u>
Total	<u>711</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Early retirement benefits are available as computed above and reduced by .25% for each month payments begin before age 65. Joint survivor benefits are also available to retirees.

A separately issued report of the Pension Plan that includes financial statements and required supplementary information (RSI) may be obtained by writing the St. Louis County Library District Employees' Pension Plan, 1640 South Lindbergh Boulevard, St. Louis, MO 63131.

Funding Policy

The Plan's funding policy provides for actuarially determined annual required contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the aggregate funding method. The Pension Plan is noncontributory and entirely funded by the District.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal
Rate of investment return:	7.0% per annum compounded
Rate of salary increases:	6.0% graded down over 7 years to 3.5%, based on years of service
Mortality:	RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP 2015.
Inflation:	2.30%

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The best estimate range for 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 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 asset allocation</u>	<u>Long-term expected arithmetic real rate of return</u>
U.S. Intermediate-Term Bonds	25 %	3.7 %
U.S. High Yield Bonds	5	5.6
Emerging Markets Bonds	5	5.4
Large Cap U.S. Equities	40	7.8
Small Cap U.S. Equities	5	8.0
Non-U.S. Equities	20	8.8
	<u>100 %</u>	

Discount Rate

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued St. Louis County Library District Employees' Pension Plan financial report.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Change in the District's Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2018 were as follows:

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balance as of December 31, 2017	\$ 53,157,721	\$ 48,706,239	\$ 4,451,482
Changes for the year			
Service cost	1,082,431	-	1,082,431
Interest on total pension liability	3,698,379	-	3,698,379
Plan changes	1,734,175	-	1,734,175
Effect of economic/demographic gains or losses	(268,428)	-	(268,428)
Benefit payments	(2,860,684)	(2,795,120)	(65,564)
Employer contributions	-	1,914,634	(1,914,634)
Net investment income	-	(2,987,442)	2,987,442
Administrative expenses	-	(121,633)	121,633
Balance as of December 31, 2018	<u>\$ 56,543,594</u>	<u>\$ 44,716,678</u>	<u>\$ 11,826,916</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District as of December 31, 2018, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	Discount rate	Net pension Liability
1% decrease	6.00%	\$ 18,788,274
Current discount rate	7.00%	11,826,916
1% increase	8.00%	6,032,822

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued St. Louis County Library District Employees' Pension Plan financial report.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2018, the District recognized pension expense of \$4,916,000. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred inflows of resources	Deferred outflows of resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ (329,989)	\$ 82,522
Change of assumptions	-	522,998
Net difference between projected and actual earnings on plan	<u>-</u>	<u>3,638,563</u>
	<u>\$ (329,989)</u>	<u>\$ 4,244,083</u>

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

Year ended December 31,:	
2019	\$ 1,719,904
2020	559,557
2021	413,388
2022	1,221,245
2023	-
	<u>\$ 3,914,094</u>

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS

Plan Description and Benefits Provided

The District provides healthcare benefits to employees defined as District retirees who have attained age 55 plus 20 years of service and retirees who have attained age 60 plus 10 years of service. Benefits are available until the retiree attains Medicare Eligibility Age. The retiree pays the monthly group health insurance premium. The Plan, as stated in the District's personnel policy, assigned the authority to establish and amend plan benefit provisions to the District. The plan does not issue a separate stand-alone report.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Employees covered by benefit terms at December 31, 2018:

	<u>Number</u>	<u>Average Age</u>
Actives	372	46.0
Retirees	7	61.3
Spouses of current retirees	<u>1</u>	
Total	<u><u>380</u></u>	

Contributions

The District does not pre-fund benefits. The current funding policy is to pay benefits on a pay-as-you-go basis and there is not a trust for accumulating plan assets.

Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions

The following actuarial methods and assumptions were used in the December 31, 2018 actuarial valuation.

Inflation – 2.30% long term inflation.

Discount Rate – 4.10% based on 20 year Bond GO Index.

Salary Increase Rate – 6.0% graded down over 7 years to 3.5% based on years of service.

Healthcare cost trend rates – 8.2% for 2019, gradually decreasing to an ultimate rate of 3.90% for 2099 and beyond.

Mortality rates – RP-2014 Mortality Table (employee and healthy annuitant tables), projected generationally using Scale MP-2015.

Participation – Based on statistics provided by the District, it is assumed that 30% of eligible employees who retire prior to age 65 will elect medical coverage under the plan upon retirement.

Actuarial Cost method – Entry age normal.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Changes in Total OPEB Liability

The components of the total OPEB liability of the District at December 31, 2018 are as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 336,675
Service cost	18,946
Interest	11,830
Changes in assumptions	337,761
Benefit payments	<u>(23,669)</u>
Balances at December 31, 2018	<u>\$ 681,543</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current discount rate.

	<u>1% Decrease 3.10%</u>	<u>Current Rate 4.10%</u>	<u>1% Increase 5.10%</u>
Total OPEB liability	\$ 752,704	\$ 681,543	\$ 618,587

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower and 1 percentage point higher than the current discount rate.

	<u>1% Decrease 7.20%</u>	<u>Current Rate 8.20%</u>	<u>1% Increase 9.20%</u>
Total OPEB liability	\$ 602,911	\$ 681,543	\$ 776,149

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the District recognized OPEB expense of \$73,968. At December 31, 2018, the District reported deferred outflows of resources related to OPEB of \$294,569 related to changes in assumptions.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31:	
2019	\$ 43,192
2020	43,192
2021	43,192
2022	43,192
2023	43,192
Thereafter	<u>78,609</u>
Total	<u>\$ 294,569</u>

NOTE 8 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits essentially all employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

NOTE 9 – PROPERTY TAXES

Taxes are levied annually by October 1 and payable by December 31. Property taxes that remain unpaid attach as an enforceable lien on January 1. St. Louis County collects the property taxes and remits them to the District. As of December 31, 2018, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2018 or earlier. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

The tax levy set by the Board of Trustees on September 24, 2018 for the General Operating Fund was \$.2340 per \$100 of assessed valuation for residential property, \$.2170 per \$100 of assessed valuation for agricultural property, \$.2590 per \$100 of assessed valuation for commercial property and \$.2250 per \$100 of assessed valuation for personal property. These tax rates do not include the surcharge of \$2,417,124 on commercial real estate. The current tax rate ceilings and assessed valuations are:

<u>Purpose</u>	<u>Tax rate ceiling</u>	<u>2018 assessed valuation</u>
Real estate		
Residential	0.2340	\$ 12,436,399,780
Agricultural	0.2170	6,366,090
Commercial	0.2590	5,729,753,763
Personal property	0.2250	<u>3,223,855,131</u>
		<u>\$ 21,396,374,764</u>

These ceilings are per \$100 of assessed valuation. The ceilings are based on a revision of the rates under a State Supreme Court ruling on September 24, 1991, and subsequent annual substantiation by the State Auditor's Office.

NOTE 10 – OPERATING LEASE

On June 23, 2011, the District entered into a five-year operating lease with THF Eureka Parcel B Development for the relocated Eureka Hills Branch. On January 27, 2016, the lease was extended for an additional five years. Payments are due the first day of each calendar month.

On October 19, 1999, the District entered into a ten-year operating lease with the City of Fenton for the Meramec Valley Branch. The first amendment to the lease agreement was signed on April 22, 2010 whereby the term of the lease was extended for an additional ten years. Payments are due the first day of each calendar month.

In February 2015, the District entered into an operating lease with CRP-2 Mid South Industrial, LLC for space used for the storage of collections, furniture and fixtures, and equipment. The District has renewed this lease annually, with the current agreement expiring January, 2020. Payments are due the first day of each calendar month.

On March 15, 2017, the District entered into a five year lease with Wells Fargo Vendor Financial Services for the purchase of a Sharp copy machine. Payments are due on a monthly basis.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

On January 31, 2018, the District entered into a five year lease with Wells Fargo Vendor Financial Services for the purchase of a Sharp copy machine. Payments are due on a monthly basis.

On January 31, 2019, the District entered into a five year lease with Wells Fargo Vendor Financial Services for the purchase of a Sharp copy machine. Payments are due on a monthly basis.

Rent expense in 2018 was approximately \$228,000.

The District is obligated to make future minimum lease payments as follows:

<u>Year end December 31,</u>	<u>Amount</u>
2019	\$ 345,099
2020	166,577
2021	103,363
2022	35,376
2023	16,340
Thereafter	<u>1,235</u>
	<u>\$ 667,990</u>

NOTE 11 – 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 has obtained commercial insurance for these risks and to provide employee health and accident benefits. Claims have not exceeded coverage for the past three years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The District's remaining commitment for uncompleted work under its construction contracts totaled approximately \$15,644,183 as of December 31, 2018.

NOTE 13 – SHARED SERVICE AGREEMENT

The District provides the Foundation with staffing, office space, and other support under a Shared Services Agreement. The fair value of these services was determined to be \$532,864 and is reported as contribution revenue and expense by the Foundation.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – TAX ABATEMENTS

The District is subject to property tax abatements granted by St. Louis County. The amount of property taxes abated during 2016 was \$379,723. Abatement information for 2017 and 2018 is not currently available.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of January 1, 2018 has been restated as follows based on the measurement date at December 31, 2017, for the implementation of GASB Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”* and GASB Statement No 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*.

Net position as previously reported at December 31, 2017	\$ 124,557,635
To eliminate the other postemployment benefit obligation prior to GASB Statement No. 75	38,100
To record the total liability for other postemployment benefits at the beginning of the year according to GASB No. 75	<u>(336,675)</u>
Net position as restated at December 31, 2017	<u>\$ 124,259,060</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

BUDGETARY COMPARISON INFORMATION - GENERAL FUND - BUDGETARY BASIS - UNAUDITED

Year ended December 31, 2018

	Budgeted amounts		Actual amounts	Variance with final budget - favorable (unfavorable)
	Original	Final		
Revenue				
Property taxes	\$ 50,889,330	\$ 50,934,889	\$ 50,953,314	\$ 18,425
Other taxes	457,000	634,273	633,100	(1,173)
State aid	326,906	326,440	326,226	(214)
Grants	143,394	149,611	177,331	27,720
Fines and fees	526,533	377,664	345,898	(31,766)
Investment earnings	371,423	500,047	675,816	175,769
Sale of surplus materials	91,084	81,933	71,526	(10,407)
Copier income	261,025	273,006	266,589	(6,417)
Miscellaneous	94,837	147,215	214,884	67,669
Total revenue	53,161,532	53,425,078	53,664,684	239,606
Expenditures				
Current operating				
Salaries and benefits	28,191,277	27,969,872	27,322,733	647,139
Personnel supplies and services	398,778	400,847	413,684	(12,837)
Library Collections	8,100,000	8,100,000	8,086,698	13,302
Library Collection Maintenance & Supplies	526,631	535,793	567,341	(31,548)
Equipment and Office Supplies	342,710	343,356	333,155	10,201
Public Relations and Printing	277,521	276,917	254,812	22,105
Programming and Reading Clubs	609,200	541,052	561,204	(20,152)
Conferences and Library Memberships	116,166	120,382	120,875	(493)
Professional Services	290,000	277,092	213,408	63,684
Miscellaneous	18,527	16,445	17,159	(714)
Utilities	1,292,587	1,334,160	1,361,768	(27,608)
Custodial Supplies and Services	357,528	356,412	373,329	(16,917)
Insurance	328,346	329,862	292,452	37,410
Building Repair	432,854	522,662	283,450	239,212
Building Operation	1,134,411	1,123,925	1,095,698	28,227
Mobile Services and Operation	117,564	123,505	127,393	(3,888)
Total current operating	42,534,100	42,372,282	41,425,159	947,123
Capital outlay				
Automotive	112,000	74,476	73,011	1,465
Furniture	131,200	80,101	81,611	(1,510)
Equipment	198,354	197,533	41,623	155,910
Technology	834,878	669,081	637,180	31,901
Capital Projects - Land Purchase	-	-	47,675	(47,675)
Total capital outlay	1,276,432	1,021,191	881,100	140,091
Debt service				
Principal retirements	2,400,000	2,400,000	2,400,000	-
Interest and fiscal charges	4,026,360	4,026,360	4,025,698	662
Total debt service	6,426,360	6,426,360	6,425,698	662
Total expenditures	50,236,892	49,819,833	48,731,957	1,087,876
CHANGE IN FUND BALANCE	\$ 2,924,640	\$ 3,605,245	\$ 4,932,727	\$ 1,327,482

See notes to required supplementary information.

ST. LOUIS COUNTY LIBRARY DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS TO PENSION PLAN - UNAUDITED
Years ended December 31,

	<u>Actuarially determined contribution</u>	<u>Contribution in relation to actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2009	\$ 764,779	\$ 665,000	\$ 99,779	\$ 15,190,225	4.38%
2010	1,088,903	775,000	313,903	14,406,379	5.38%
2011	1,150,067	1,150,067	-	13,522,046	8.51%
2012	1,403,653	1,403,653	-	13,972,781	10.05%
2013	1,571,499	1,571,499	-	14,634,206	10.74%
2014	1,546,259	1,625,000	(78,741)	14,949,996	10.87%
2015	1,497,480	1,875,000	(377,520)	15,081,678	12.43%
2016	1,769,272	2,500,000	(730,728)	15,634,664	15.99%
2017	1,864,205	1,864,205	-	16,477,307	11.31%
2018	1,914,634	1,914,634	-	16,436,687	11.65%

See notes to required supplementary information.

ST. LOUIS COUNTY LIBRARY DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY
AND RELATED RATIOS - UNAUDITED**

Years ended December 31,

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 1,082,431	\$ 1,034,197	\$ 1,021,037	\$ 983,381	\$ 1,013,517
Interest	3,698,379	3,576,089	3,407,982	3,135,737	3,121,095
Plan changes	1,734,175 (B)	-	-	-	-
Economic/demographic gains or (losses)	(268,428)	(168,922)	200,410	(62,748)	(149,581)
Assumptions and input changes	-	-	-	2,424,802 (A)	7,194
Benefit payments	(2,860,684)	(2,628,402)	(2,416,906)	(2,284,935)	(2,147,006)
Net change in total pension liability	3,385,873	1,812,962	2,212,523	4,196,237	1,845,219
Total pension liability, beginning	53,157,721	51,344,759	49,132,236	44,935,999	43,090,780
Total pension liability, ending (a)	56,543,594	53,157,721	51,344,759	49,132,236	44,935,999
Plan fiduciary net position					
Employer contributions	1,914,634	1,864,205	2,500,000	1,875,000	1,625,000
Net investment income	(2,987,442)	6,835,140	2,492,677	(826,575)	2,141,692
Benefit payments	(2,795,120)	(2,575,438)	(2,416,906)	(2,285,844)	(2,160,589)
Administrative expenses	(121,633)	(121,635)	(91,557)	(88,399)	(72,469)
Net change in plan fiduciary net position	(3,989,561)	6,002,272	2,484,214	(1,325,818)	1,533,634
Plan fiduciary net position, beginning	48,706,239	42,703,967	40,219,753	41,545,571	40,011,937
Plan fiduciary net position, ending (b)	44,716,678	48,706,239	42,703,967	40,219,753	41,545,571
District's net pension liability, ending = (a) - (b)	\$ 11,826,916	\$ 4,451,482	\$ 8,640,792	\$ 8,912,483	\$ 3,390,428
Plan fiduciary net position as a % of total pension liability	79.08%	91.63%	83.17%	81.86%	92.45%
Covered payroll	\$ 16,436,687	\$ 16,477,307	\$ 15,634,664	\$ 15,081,678	\$ 14,949,966
District's net pension liability as a % of covered payroll	71.95%	27.02%	55.27%	59.09%	22.68%

NOTES TO THE SCHEDULE

Changes in Assumptions:

- (A) In 2015, assumed life expectancies were adjusted as a result of adopting the RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP 2015. In prior years, these assumptions were based on RP 2000 Mortality Table, male and female ratios, projected generationally using Scale AA.
- (B) Effective January 1, 2019, an amendment to the Plan document allowed for "Rule of 80" unreduced early retirement benefits. The rate of retirement assumption was updated to better reflect expected retirement patterns.

NOTE: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ST. LOUIS COUNTY LIBRARY DISTRICT

SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT LIABILITY - UNAUDITED
For the Year ended December 31, 2018

Schedule of Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 18,946
Interest cost	11,830
Changes in assumptions	337,761
Benefit payments	<u>(23,669)</u>
Net change in total OPEB liability	344,868
Total OPEB liability at beginning of year	<u>336,675</u>
Total OPEB liability at end of year	<u>\$ 681,543</u>
Covered payroll for the year ended June 30, 2018	\$ 16,436,687
Total OPEB liability as a percentage of covered payroll	4.15%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Plan Assets: No assets are accumulated in a trust that meets all of the following criteria of GASB No. 75, paragraph 4, to pay benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

See notes to the required supplementary information.

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year ended December 31, 2018

NOTE 1 – BUDGETARY DATA

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

1. A proposed operating budget for the calendar year is submitted to the Board of Trustees prior to January 1. The operating budget includes proposed expenditures and the means of financing them. Expenditures may not legally exceed appropriations at the fund level.
2. Prior to January 1, the budget is formally adopted.
3. Prior to setting the District tax rate by October 1, a public hearing is conducted to obtain taxpayer comments.
4. Any revisions must be approved by the Board of Trustees.
5. The budget for the General Fund is adopted on a modified cash basis of accounting. The modified cash basis is used because it allows the District to better budget revenue and expenses as the resources are expended or received. As noted in the Summary of Significant Accounting Policies, the District used the modified accrual basis to report fund financial statements. The following is a summary of the difference between the modified cash basis change in fund balances and the modified accrual basis:

Change in fund balances - budgetary basis	\$ 4,932,727
Change in accounts receivable	1,497,528
Change in prepaid items	(55,595)
Change in accounts payable	(2,747,147)
Change in deferred revenue	<u>3,777,887</u>
Change in fund balance -GAAP basis	<u>\$ 7,405,400</u>

ST. LOUIS COUNTY LIBRARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year ended December 31, 2018

NOTE 2 – PENSION DATA

The methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, layered, 20 year periods
Asset valuation method	Three year average of the adjusted market values
Rate of investment return	7.0% per annum, net of expenses
Inflation	2.30% per year
Salary increases	6.0% graded down over 7 years to 3.5% based on years of service
Turnover rates	Varies by age and year of membership based on Plan experience
Retirement and disability	Varies by age of active members based on Plan experience
Mortality or death rates	RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP

Changes of Actuarial Assumptions

In 2012, the actuarial cost and funding method changed from the aggregate method to the entry age normal method, the rate of investment return decreased from 7.50% to 7.25% and the assumed life expectancies and mortalities were adjusted to better reflect actual experience. In 2015, the rate of investment return was further decreased by .25%, the rate of inflation decreased from 2.75% to 2.50% and the rate of salary increases changed to better reflect actual experience. In 2015, assumed life expectancies were adjusted as a result of adopting the RP 2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP 2015. In prior years, these assumptions were based on RP 2000 Mortality Table, male and female ratios, projected generationally using Scale AA. In 2018, the inflation rates were further decreased by 20%.