

WOODFORD COUNTY LIBRARY DISTRICT  
FINANCIAL STATEMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2018



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Woodford County Library District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Woodford County Library District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library'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.

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Woodford County Library District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



#### ***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, in the year ended June 30, 2018, the Library adopted new accounting guidance, *GASB 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, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 5, and pages 25 through 31 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the Woodford County Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woodford County Library District's internal control over financial reporting and compliance.

***Craft, Noble & Company, PLLC***

Craft, Noble & Company, PLLC  
Richmond, Kentucky  
November 28, 2018

*The Woodford County Library District's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the library for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.*

## **Financial Highlights**

- I. The Library spent approximately 10.34% of its tax revenues on Library Materials.*
- II. The Library's income from property tax increased 1.85% from the previous fiscal year.*
- III. The Library continues to spend on improved equipment, facilities, and services.*

## **Overview of the Financial Statements**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

## **Required Financial Statements**

The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

## **Government-Wide Statements**

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net position are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Library's overall activity.

Governmental activities – most of the Library's basic services are reported here including property taxes, grants and other income finance most of these activities.

## **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year detail operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

## Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 5,770,745	\$ 5,801,721	\$ (30,976)
Other assets	1,451,383	1,263,375	188,008
Deferred outflows	521,604	243,562	278,042
Long-term liabilities	1,645,837	1,049,769	596,068
Current liabilities	27,073	33,310	(6,237)
Deferred inflows	143,582	-	143,582
Invested in fixed assets	5,770,745	5,801,721	(30,976)
Unrestricted net position	156,495	123,308	33,187

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Variance</u>
Taxing district revenues	\$ 1,563,460	\$ 1,535,063	\$ 28,397
Grant revenues	16,562	16,561	1
Investment income	14,274	4,833	9,441
Public support	14,732	4,621	10,111
Other revenues	25,637	27,113	(1,476)
Total revenues	<u>1,634,665</u>	<u>1,588,191</u>	<u>46,474</u>
Personnel expenses	1,095,521	995,911	99,610
Library materials	161,701	178,995	(17,294)
General maintenance	41,994	36,423	5,571
Telecommunication	19,583	12,902	6,681
Postage	5,954	6,821	(867)
Utilities	50,866	49,816	1,050
Building repair and maintenance	45,026	31,734	13,292
Other operating expenses	417	3,871	(3,454)
Bookmobile operations	4,144	4,271	(127)
Computer expenses	60,848	62,847	(1,999)
Insurance	14,717	15,063	(346)
Continuing education	5,071	1,711	3,360
Public relations, dues	32,399	34,008	(1,609)
Professional services	16,160	20,744	(4,584)
Programming	22,933	18,008	4,925
Interest	-	3,932	(3,932)
Collection adjustment	(133,799)	(57,126)	(76,673)
Depreciation	188,919	189,646	(727)
Total expenditures	<u>1,632,454</u>	<u>1,609,577</u>	<u>22,877</u>
Change in net position	<u>\$ 2,211</u>	<u>\$ (21,386)</u>	<u>\$ 23,597</u>

The Library's main source of revenue is property tax, which is approximately 95.64% of the Library's total revenue. Other income sources included grants, donations, state aid, and fines and fees. The personnel expense represents 67.07% of total operating expenditures -- on par with the state average of 63%. Expenses related to the amortization of the CERS pension and OPEB expenses were \$262,332 for the year. With the amortizations of the pension and OPEB liabilities removed personnel expenditures decreased about 0.05% from the previous year.

### Capital Asset Activity

Capital asset activity included the purchase of a new heating unit for the Community Room in Versailles, purchase of a CISCO firewall, purchase of a Meraki Wireless Access Point, and the purchase of 13 Dell OptiPlex computers.

## Budget Highlights

The Library adopts an annual budget at the May Board meeting after it has been presented in April for discussion. The budget is done through a cooperative team of Board members and staff members plus the Bookkeeper. Several meetings are held prior to the April Board meeting, and goals for the next year are established by the staff and possible expenditures related to those goals are identified. The Operating Budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occur. A current Fiscal Year budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on, nor shown, on the financial statements section of this report. A procurement code, based on the KY Model Procurement Code has been established by the Board to give direction to larger spending amounts.

The Library has operated on a zero-balance budget so that at the end of the fiscal year each budget category reverts back to the new balance for the new year. Each year the library staff has worked diligently to keep the overall budget in line with the projected budget. Some categories may be over but in general the overall amounts are taken to the Board of Trustees for approval before the purchase is made. Please note that this budget comparison is prior to any audit adjustments and reclassification of library charges out of correlating expense accounts (i.e. copying fees are shown net in copy expenses for budget purposes). A summarized comparison of budget highlights is listed below:

	Budget Comparison for 2018 – 2017		
	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net revenues	\$ 1,611,500	\$ 1,634,665	\$ 23,165
Personnel expenses	936,000	934,462	1,538
Library materials	182,000	161,701	20,299
General maintenance	43,000	41,994	1,006
Telecommunication	17,000	19,583	(2,583)
Postage	7,000	5,954	1,046
Utilities	54,500	50,866	3,634
Building repair and maintenance	50,000	45,026	4,974
Other operating expenses	3,500	417	3,083
Bookmobile operations	6,600	4,144	2,456
Computer expenses	95,000	60,848	34,152
Insurance	15,500	14,717	783
Continuing education	5,000	5,071	(71)
Public relations, dues	34,000	32,399	1,601
Professional services	21,000	16,160	4,840
Programming	25,000	22,933	2,067
Debt service and capital outlay	116,400	24,145	92,255
	<u>\$ -</u>	<u>\$ 194,245</u>	<u>\$ 194,245</u>

## Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2018 budget. One of the factors was the local economy and anticipated tax revenue to be expected from the property tax. This is the Library's main source of revenue. The Library's operating expense increases and future capital expansion plans are dependent upon growth in tax revenue.

## Contacting the Library Management

The financial report is designed to provide the citizens of Woodford County and its creditors with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Karen Kasacavage or the Treasurer, Donald Smith.

Woodford County Library District  
Statement of Net Position  
June 30, 2018

Assets	
Cash and cash equivalents	\$ 1,420,283
Accounts receivable	7,234
Prepaid expenses	23,866
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	4,580,614
Nondepreciable assets including land and library collection	1,190,131
Total Fixed Assets	<u>5,770,745</u>
Total Assets	<u>\$ 7,222,128</u>
Deferred Outflows of Resources:	
Subsequent pension contributions	\$ 96,135
Deferred outflows related to pensions	334,741
Deferred outflows related to OPEB	90,728
Total Deferred Outflows of Resources	<u>\$ 521,604</u>
Liabilities:	
Accounts payable	\$ 24,073
Current portion of compensated absences	3,000
Long-Term Obligations:	
Compensated absences	14,543
Net pension liability	1,214,333
Net OPEB liability	416,961
Total Liabilities	<u>\$ 1,672,910</u>
Deferred Inflows of Resources:	
Deferred inflows related to pensions	\$ 121,751
Deferred inflows related to OPEB	21,831
Total Deferred Inflows of Resources	<u>\$ 143,582</u>
Net Position:	
Invested in fixed assets	5,770,745
Unrestricted	156,495
Total Net Position	<u>\$ 5,927,240</u>

The accompanying notes are an integral part of these financial statements.



Woodford County Library District  
Statement of Activities  
For The Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Government
Governmental activities				
Cultural and recreations	\$ (1,632,454)	21,628	31,294	\$ (1,579,532)
General Revenues:				
Taxing district revenues				\$ 1,563,460
Investment income				14,274
Other income				4,009
Total general revenues				1,581,743
Change in net position				2,211
Net position - beginning				5,925,029
Net position - ending				\$ 5,927,240

The accompanying notes are an integral part of these financial statements.

Woodford County Library District  
Balance Sheet  
Governmental Fund  
June 30, 2018

	Governmental Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 1,420,283
Accounts receivable	7,234
Prepaid expenses	23,866
Total Assets	\$ 1,451,383
<b>Liabilities</b>	
Accounts payable	\$ 24,073
Compensated absences	3,000
Total Liabilities	\$ 27,073
<b>Fund Balances</b>	
Nonspendable	\$ 23,866
Unassigned	1,400,444
Total Fund Balances	\$ 1,424,310
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 5,770,745
Deferred outflows, inflows, and net pension and OPEB liabilities related to the implementation of GASB 68 and 75 which are not receivable or payable in the current period and therefore, not reported in the fund	(1,253,272)
Certain liabilities (including compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(14,543)
Net position of governmental activities	\$ 5,927,240

The accompanying notes are an integral part of these financial statements.

Woodford County Library District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For The Year Ended June 30, 2018

	Governmental Fund
Revenues	
Taxing district revenues	\$ 1,563,460
Grant revenues	16,562
Investment income	14,274
Public support	14,732
Other revenues	25,637
	1,634,665
Total Revenues	
Expenditures	
Personnel expenses	934,462
Library materials	161,701
General maintenance	41,994
Telecommunication	19,583
Postage	5,954
Utilities	50,866
Building repair and maintenance	45,026
Other operating expenses	417
Bookmobile operations	4,144
Computer expenses	60,848
Insurance	14,717
Continuing education	5,071
Public relations, dues	32,399
Professional services	16,160
Programming	22,933
	1,416,275
Total Current Expenditures	
Operating capital outlays	24,145
	1,440,420
Total Expenditures	
Net change in fund balance	194,245
Fund balance - beginning	1,230,065
Fund balance - ending	\$ 1,424,310

The accompanying notes are an integral part of these financial statements.

Woodford County Library District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
 Balance of Governmental Fund to the Statement of Activities  
 For The Year Ended June 30, 2018

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	194,245
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay		24,145
Depreciation Expense		(188,919)
Collection Adjustment		133,799

Governmental Funds report pension and OPEB related expenses of \$101,746 which includes \$5,611 in catch-up contributions which were recognized this year. However, the Statement of Net Position reports pension and OPEB expenses calculated pursuant to GASB 68 and 75 of \$262,332		(160,586)
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Government Funds report expense as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences.		(473)
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Change in Net Position of Governmental Activities	\$	2,211
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The accompanying notes are an integral part of these financial statements.

WOODFORD COUNTY LIBRARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Woodford County Library District was created in 1978 as a taxing district. This public library district was formed by the Woodford County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Woodford County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

The Library opened at its present locations in 1904, and to preserve the historic location, underwent extensive renovations and expansion in 2006. To better serve the citizens of Woodford County a second branch was opened in Midway in 2009.

Basis of Presentation

The financial statements of the Woodford County Library District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The library has only one such governmental fund that accounts for the daily operating activity of the library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Organization follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues include those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library’s operating activities, an expense for capital outlays has been reported in the fund financial statements. The Library expenses all books and materials as purchased and does not capitalize such items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2018 was \$188,919.

Fund Balance

As of June 30, 2012, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

As of June 30, 2018 fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable	\$ 23,866
Unassigned	\$ 1,400,444

Use of Estimates

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

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plan

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

The Library adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018. This guidance changes how governments calculate and report the costs and obligations associated with other post-employment employee benefits (OPEB). It is designed to improve the information provided by state and local government employers about financial support for OPEB that is provided by other entities.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2018 was as follows:

Category 1	\$		500,000
Category 2	\$		942,079
Category 3	\$		-

NOTE 4 – CAPITAL ASSETS

The Library purchases various educational materials each year, some of which increase in value and some that depreciate. Rather than attempting to depreciate each unit, the Library values these materials based on a five-year rolling average. The average takes the costs of library materials over the most recent five-year period. During the year, the Library thoroughly reviewed and evaluated the collection resulting in an increase in the value of the collection of \$133,799.

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

<u>Governmental Activities</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Library collection	1,016,332	133,799	-	1,150,131
Buildings	6,498,342	-	-	6,498,342
Furniture and equipment	987,049	24,145	-	1,011,194
Vehicles	79,185	-	-	79,185
Total at historical cost	<u>8,620,908</u>	<u>157,944</u>	<u>-</u>	<u>8,778,852</u>
Less: Accumulated Depreciation	(2,819,188)	(188,919)	-	(3,008,107)
Capital assets – net	<u>\$ 5,801,720</u>	<u>\$ (30,975)</u>	<u>\$ -</u>	<u>\$ 5,770,745</u>

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 5 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2018, the liability for these absences was \$17,543 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term debt follows:

	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Payable at June 30, 2017	\$ 17,070	\$ 1,035,699	\$ 327,053	\$ 1,052,769
Increase in obligation	473	178,634	89,908	269,015
Decrease in obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Payable at June 30, 2018	<u>\$ 17,543</u>	<u>\$ 1,214,333</u>	<u>\$ 416,961</u>	<u>\$ 1,321,784</u>

NOTE 7 – STATE AID, GRANTS AND CONTRIBUTIONS

In the normal course of operations, the Library received grant funds from various Federal and State agencies. The grant programs are subject to audit of agents of the granting authority, the purpose of which is to ensure compliance with conditions pursuant to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material. During the year ending June 30, 2018, the Library received state aid from the Kentucky Department of Libraries and Archives of \$16,562 for operations which were fully expenses for Library materials.

Contributions were received from various donors and sources during the year. These contributions totaling \$14,732 were unrestricted and were spent on operations.

NOTE 8 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied on October 1, 2017 on the assessed property located in Woodford County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

Vehicle taxes are collected by the County Clerk of Woodford County and are due and collected in the birth month of the vehicle’s licensee.



WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN

The Library’s employees are provided with the County Employees Retirement System.

**General information about the County Employees Retirement System Non-Hazardous (“CERS”)**

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the Library reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Library as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net pension liability	\$	1,214,333
Commonwealth's proportionate share of the CERS net pension liability associated with the Library		5,852,093,110
	\$	5,853,307,443

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Library's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Library's proportion was 0.020741% percent.

For the year ended June 30, 2018, the Library recognized pension expense of \$214,264 related to CERS. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between projected and actual experience	\$ 1,506	\$ 30,817
Changes of assumptions	224,018	-
Difference between projected and actual earnings on plan investments	96,148	81,132
Changes in proportion and differences between Company contributions and proportionate share of contributions	13,069	9,802
Library contributions subsequent to the measurement date	72,577	-
Total	\$ 407,318	\$ 121,751

The \$72,577 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows on the next page.

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

<b>Year ending June 30,</b>	
2019	\$ 99,160
2020	90,653
2021	38,765
2022	(15,588)

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

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	2.00%	1.88%
Total	<b>100.00%</b>	<b>6.56%</b>

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Library’s proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the Library, calculated using the discount rates selected by each pension system, as well as what the Library’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<b>Discount rate</b>	<b>Library’s proportionate share of net pension</b>
1% decrease	5.25%	\$ 1,531,086
Current discount rate	6.25%	\$ 1,214,333
1% increase	7.25%	\$ 948,716

*Pension plan fiduciary net position*—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

The Library’s employees are provided with the County Employees Retirement System.

**Other Post-Employment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Library reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the Library as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net OPEB liability	\$ 416,961
Commonwealth’s proportionate share of the CERS net OPEB liability associated with the Library	2,009,925,093
	\$ 2,010,342,054

The net OPEB liability for each plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Library’s proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Library’s proportion was 0.020741% percent.

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2018, the Library recognized OPEB expense of \$48,068 related to CERS. At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between projected and actual experience	\$ -	\$ 1,158
Changes of assumptions	90,728	-
Difference between projected and actual earnings on Plan investments	-	19,706
Changes in proportion and differences between Company contributions and proportionate share of contributions	-	967
Library contributions subsequent to the measurement date	23,558	-
<b>Total</b>	<b>\$ 114,286</b>	<b>\$ 21,831</b>

The \$23,558 reported as deferred outflows of resources related to OPEBs resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized as a decrease in OPEB expense as follows:

<b>Year ending June 30,</b>	
2019	\$ 11,854
2020	11,854
2021	11,854
2022	11,854
2023	16,781
2024 and thereafter	4,700

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

Inflation	2.30%	
Healthcare Cost Trend Rate	7.50%	
Salary increases	3.05%, average, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in the mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash Equivalent	<u>2.00%</u>	<u>1.88%</u>
Total	<b>100.00%</b>	<b>6.56%</b>

*Discount rate*—For CERS, the discount rate used to measure the total OPEB liability was 5.845%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Library’s proportionate share of net OPEB liability to changes in the discount rate*—The following table presents the net OPEB liability of the Library, calculated using the discount rates selected by each OPEB system, as well as what the Library’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Library’s proportionate share of net OPEB liability
1% decrease	4.84%	\$ 530,539
Current discount rate	5.84%	\$ 416,961
1% increase	6.84%	\$ 322,417

WOODFORD COUNTY LIBRARY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 9 – RETIREMENT PLAN (CONTINUED)

*Sensitivity of the Library’s proportionate share of net OPEB liability to changes in the healthcare cost trend rate—*  
 The following table presents the net OPEB liability of the Library, calculated using the current healthcare cost trend rate selected by each OPEB system, as well as what the Library’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<b>Library’s proportionate share of net OPEB liability</b>
1% decrease	\$ 319,818
Current healthcare cost trend rate	\$ 416,961
1% increase	\$ 543,204

*OPEB plan fiduciary net position—*Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS. The reports are available on the Kentucky Retirement Systems website.

NOTE 10 – RISK MANAGEMENT

The Library 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. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 11 – RESTATEMENT OF BEGINNING NET POSITION

Effective July 1, 2017, the Library was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions” (GASB 75). GASB 75 replaced the requirements of GASB 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” and GASB 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, as they relate to governments that provide OPEBs through retirement plans administered as trusts or similar arrangements that meet certain criteria. GASB 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB benefits as a liability to more comprehensively and comparably measure the annual costs of OPEB. Cost-sharing governmental employers, such as the Library, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the Library only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$300,550 reduction in beginning net position on the Statement of Activities.

Ending Net Position per 2017 Audit Statement of Activities	\$ 6,225,579
Adjustment due to implementation of GASB 75	<u>(300,550)</u>
Restated beginning Net Position on Statement of Activities	<u>\$ 5,925,029</u>

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through November 28, 2018, the date this report became available for issuance.

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

To the Board of Trustees  
Woodford County Library District  
Versailles, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Woodford County Library District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Woodford County Library District's basic financial statements, and have issued our report thereon dated November 28, 2018.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2018-01).

### Compliance and Other Matters

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





## **Woodford County Library District's Response to Findings**

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

### **Purpose of this Report**

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

*Craft, Noble & Company, PLLC*

Craft, Noble & Company, PLLC  
Richmond, Kentucky  
November 28, 2018

WOODFORD COUNTY LIBRARY DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

FINDINGS- FINANCIAL STATEMENT AUDIT

**2018-1**

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

At present the Library does not have an individual with the required expertise for financial accounting and reporting necessary to successfully apply generally accepted accounting principles in regard to recording the entity's financial transactions and in drafting the financial statements and related disclosures.

Effect:

The Library did not have effective procedures in place to ensure that all accruals and adjustments that are needed have been appropriately recorded. Additionally, the Library's staff or contracted personnel did not collectively possess a full working knowledge of generally accepted accounting principles.

Organization Response and Corrective Action Plan:

At current the Library does not feel that it would be feasible to contract an individual with the required skill and knowledge at the cost to taxpayers. The constant board supervision will remain an integral part of the Library's interim financial statements.

We did not audit the Library's response and, accordingly, we express no opinion on it.

Woodford County Library District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For The Year Ended June 30, 2018

Revenues	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Taxing district revenues	\$ 1,560,000	\$ 1,560,000	\$ 1,563,460	\$ 3,460
Grant revenues	18,000	18,000	16,562	(1,438)
Investment income	5,000	5,000	14,274	9,274
Public support	5,000	5,000	14,732	9,732
Other revenues	23,500	23,500	25,637	2,137
Total Revenues	<u>1,611,500</u>	<u>1,611,500</u>	<u>1,634,665</u>	<u>23,165</u>
Expenditures				
Current				
Personnel expenses	936,000	936,000	934,462	1,538
Library materials	182,000	182,000	161,701	20,299
General maintenance	43,000	43,000	41,994	1,006
Telecommunication	17,000	17,000	19,583	(2,583)
Postage	7,000	7,000	5,954	1,046
Utilities	54,500	54,500	50,866	3,634
Building repair and maintenance	50,000	50,000	45,026	4,974
Other operating expenses	3,500	3,500	417	3,083
Bookmobile operations	6,600	6,600	4,144	2,456
Computer expenses	95,000	95,000	60,848	34,152
Insurance	15,500	15,500	14,717	783
Continuing education	5,000	5,000	5,071	(71)
Public relations, dues	34,000	34,000	32,399	1,601
Professional services	21,000	21,000	16,160	4,840
Programming	25,000	25,000	22,933	2,067
Total Current Expenditures	<u>1,495,100</u>	<u>1,495,100</u>	<u>1,416,275</u>	<u>78,825</u>
Operating capital outlays	<u>116,400</u>	<u>116,400</u>	<u>24,145</u>	<u>92,255</u>
Total Expenditures	<u>1,611,500</u>	<u>1,611,500</u>	<u>1,440,420</u>	<u>171,080</u>
Net change in fund balance	-	-	194,245	194,245
Fund balance - beginning	-	-	1,230,065	
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,424,310</u>	

See Independent Auditor's Report.

Woodford County Library District  
Schedule of Proportionate Share of the Net Pension Liability  
For the Years Ended June 30, 2018, 2017, 2016, 2015 and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability	0.020741%	0.021053%	0.020510%	0.019834%	0.019834%
Library's proportionate share of the net pension liability	\$ 1,214,333	\$ 1,035,699	\$ 881,820	\$ 643,505	\$ 728,140
Library's covered employee payroll	\$ 501,224	\$ 509,742	\$ 501,924	\$ 478,520	\$ 455,035
Library's share of the net pension liability as a percentage of its covered employee payroll	242.27%	203.18%	175.69%	134.48%	160.02%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%	61.22%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

See Independent Auditor's Report.

Woodford County Library District  
Schedule of Pension Contributions  
For the Years Ended June 30, 2018, 2017, 2016, 2015, 2014 and 2013

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution	\$ 72,577	\$ 71,108	\$ 62,339	\$ 61,012	\$ 62,522	\$ 52,693
Contributions relative to contractually required employer contribution	<u>\$ 72,577</u>	<u>\$ 71,108</u>	<u>\$ 62,339</u>	<u>\$ 61,012</u>	<u>\$ 62,522</u>	<u>\$ 52,693</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 501,224	\$ 509,742	\$ 501,924	\$ 478,520	\$ 455,035	\$ 417,531
Employer contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%	13.74%	12.62%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

See Independent Auditor's Report.

**WOODFORD COUNTY LIBRARY DISTRICT  
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS- PENSION  
FOR THE YEAR ENDED JUNE 30, 2018**

**County Employee Retirement System**

*Changes of benefit terms* – None

*Changes in assumptions* – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%
- The assumed rate of inflation was reduced from 3.50% to 3.25%
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%
- The payroll growth assumption was reduced from 4.50% to 4.00%
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

*Method and assumptions used in calculations of actuarially determined contributions* – The actuarially determined contributions rates are determined on an annual basis beginning with the fiscal years ended 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2014 to a closed 28-year period. The following actuarial methods and assumptions were used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	28 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

See Independent Auditor’s Report.

Woodford County Library District  
Schedule of Proportionate Share of the Net OPEB Liability  
For the Years Ended June 30, 2018, and 2017

	2018	2017
Library's proportion of the net OPEB liability	0.020741%	0.021053%
Library's proportionate share of the net OPEB liability	\$ 416,961	\$ 327,053
Library's covered employee payroll	\$ 501,224	\$ 509,742
Library's share of the net OPEB liability as a percentage of its covered employee payroll	83.19%	64.16%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	55.24%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

See Independent Auditor's Report.

Woodford County Library District  
 Schedule of OPEB Contributions  
 For the Years Ended June 30, 2018, and 2017

	2018	2017
Contractually required employer contribution	\$ 23,558	\$ 24,111
Contributions relative to contractually required employer contribution	\$ 23,558	\$ 24,111
Contribution deficiency (excess)	\$ -	\$ -
 Company's covered employee payroll	 \$ 501,224	 \$ 509,742
Employer contributions as a percentage of covered-employee payroll	4.70%	4.73%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions- OPEB for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

See Independent Auditor's Report.



**WOODFORD COUNTY LIBRARY DISTRICT  
SCHEDULE OF CHANGES IN BENEFITS AND ASSUMPTIONS- OPEB  
FOR THE YEAR ENDED JUNE 30, 2018**

**County Employee Retirement System**

*Changes of benefit terms* – None

*Changes in assumptions* – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%
- The single discount rate changed from 6.89% to 5.84%

*Method and assumptions used in calculations of actuarially determined contributions* – The actuarially determined contributions rates are determined on an annual basis beginning with the fiscal years ended 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2014 to a closed 28-year period. The following actuarial methods and assumptions were used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	28 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

See Independent Auditor's Report.