

OLDHAM COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2018

With

Independent Auditor's Report

OLDHAM COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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Independent Auditor's Report

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DePRIE & ADKISSON, PSC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oldham County Public Library
LaGrange, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the Oldham County Public Library, 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 and the related schedule of expenditures 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 the general purpose 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 general purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 statement, 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 appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

To the Board of Directors
Oldham County Public Library
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Change in Accounting Principle

As discussed in Note G to the financial statements, in 2018 the Library adopted new accounting guidance, GASBS 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, and the schedules for pension and other postemployment benefits plans, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Oldham County Public Library'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 of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oldham County Public Library's internal control over financial reporting and compliance.

DePrie & Adkisson, PSC

Certified Public Accountants

September 28, 2018

Oldham County Public Library Management's Discussion and Analysis Fiscal Year 2017-2018

The Oldham County Public Library ('the Library') is a special taxing district authorized under KRS 173.710 by a petition of the citizens of Oldham County in 1969. The Library Board of Trustees sets and approves the budget based on the annual fiscal year starting July 1st and ending June 30th. The volunteer five-member governing board operates under fixed terms as specified by law. The Library Board of Trustees meets once a month. Over the course of the year, the Board monitors the budget and policies of the library. In addition to having annual audits performed, the Library system completes an Annual Report that contains financial and other statistical information that is provided to the Kentucky Department for Libraries and Archives in the state capitol. Other information about the library system is available at the library's web site (www.oldhampl.org).

The Library continues to grow and thrive. The employees now total 48 and the number of full time staff is 14. The Library has 8.5 FTE librarians with an ALA Masters in Library Science. The library has continued to partner with community organizations to offer our patrons more opportunities than ever before.

Accountability and Transparency

1. The Oldham County Public Library is required to submit an extensive report each year that includes statistics in all areas of the library's operation; fiscal data; information about trustees including how long they have served, how many meetings attended, whether they received training; whether they have adopted policies in critical areas, and how often they met. Reports are signed by the Board President and County Judge Executive and then submitted to the Kentucky Department for Libraries and Archives (KDLA.) A Regional Librarian consultant reviews the report. A second review is completed by the state library staff for missing or questionable data. When validated, the survey is submitted to the Institute for Museum and Library Services (IMLS) for federal government review and compilation with libraries from all 50 states. KDLA provides state funding only when the annual report has been completed and signed by the appropriate officials. The annual reports for all the libraries are combined into a single statistical report which is made available on KDLA's website where statistics from all the libraries can be reviewed and compared. <https://kdla.ky.gov/librarians/plssd/Pages/LibraryStatistics.aspx>.
2. Before state funding is provided to the library, the library must also provide a copy of its latest audit performed by a qualified firm using GASB standards that comply with KRS 75.065.
3. To ensure that board appointments are being made according to law, 6 months prior to the expiration of a term KDLA issues notice to the library that the term is expiring. Boards are urged to begin consideration of the two names that can be considered for appointment by the County Judge Executive. If candidates are not nominated by the library or nominations are not made by the County Judge Executive promptly (as required by law), then KDLA follows up.
4. In 2012, the Kentucky Public Library Association and KDLA established a Trustee Certification Program modeled on the Librarian Certification Program created by the Legislature in 1938. In order to become certified, a trustee must review 5 separate lessons on roles of the trustee and director, effective board organization; finance and oversight, policies, and planning and advocacy.

5. KDLA has developed a Trustee Manual that provides comprehensive information for trustees including laws and best practices for overseeing the work of the library. Printed copies of the manual are provided for trustees and the manual is also found on the KDLA website. Updates are provided as laws change and as new information become available.
6. The Kentucky Public Library Association and KDLA have collaborated to create Standards for Public Libraries covering areas of governance including legal obligations, effective director and board leadership, fiscal operations, planning, and adequate policies. The Oldham Library has achieved the “Enhanced” level ratings since 2009. It is obvious that the Library falls short in the overall size of its facilities. Consequently the collections size is also below the level at which it should be for a county the size of Oldham. Hence the desire to increase the size of the District’s two branch libraries has been tantamount since the Main Library was constructed in 2009. Oldham County is the 12th largest county by population in Kentucky with an estimated current population of 65,560.

In this fiscal year, the Library District used a tax rate of 4.1 cents per \$100 of assessed value for real property and 9.47 cents per \$100 of assessed value for tangible personal property. Statewide comparisons for Kentucky per capita support ranked Oldham County as somewhat below average with a per capita support of \$41.99. The average Kentucky per capita support is \$42.97. The highest per capita support rate in Kentucky is \$115.05. (*According to the 2016-2017 Statistical Report for Kentucky Libraries.*)

During the fiscal year 2017-2018 the Library received \$2,953,395 in total revenue. Of that amount, \$2,598,829 was from local property taxes. This represents a tax revenue increase of \$120,734 from the previous year. 88% of the Library’s total revenue came from local property taxes. \$219,170 was from government and other grants and aid. This includes \$74,334 to administer a library at the Kentucky Correctional Institute for Women in Oldham County. The Library applies for and is granted funds to employ a librarian at this institution. Largely funded by the Department for Corrections because of severe budget cuts made to the Kentucky Department for Libraries and Archives, the funding pays the salary for a professional librarian at this institution. The Library provides professional support but no Oldham County tax funds are used in this relationship which has been funded since 1975.

The Kentucky Department for Libraries and Archives (KDLA) provided \$24,836 in State Aid, a per capita amount based on the 2000 Census Reports. This amount was remained the same from the previous year. The Library also received a \$120,000 Public Library Construction debt retirement grant from KDLA.

The library receives its tax income in several pay-outs. The largest tax income pay-out is received when the real estate property taxes are collected and distributed sometime in the final quarter of the calendar year. The rest of the income comes in unequal and usually diminishing amounts throughout the year. Reserve funds are needed for debt retirement and to operate the Library between the ends of one fiscal year in June until bulk of the tax revenue is received in November or December. Financial advisors suggest that enough operating funds be held by the Library for operations and salaries during these months when no income other than fines, donations and other fees are received. The Library, by policy, holds enough funds to operate for six months in a fiscal emergency.

The library spent \$2,510,426 for FY 2017-2018. The breakout of the budget shows 56% (\$1,413,791) of the actual budget went toward payroll and benefits. 5.8% percent (\$146,380.70)

of the budget went toward the purchase of books and materials, including database subscriptions. Operating costs were \$395,838, 16% of the expense budget.

Items checked out during fiscal year 2017-2018 reached 423,277. The Library circulates materials in all formats: books, DVDs and CDs, digital downloads including audiobooks and e-books, and video games. Combined, all three library location boasted of over 234,000 visitors.

Other statistical information gleaned from the Annual Report that is compiled and delivered to the Kentucky Department for Libraries and archives offer additional information about how the Oldham County Library District serves the Oldham community.

- ▶ 234,133 visitors came into the libraries last year. These patrons came for free access to books, magazines, research materials, online information and computers, reference assistance from trained librarians, early literacy classes, after school educational events, best sellers in multiple formats (print, audio, downloadable and e-book), movies, music, author events, art displays, children's classes, teen clubs, summer reading programs, tax preparation help, computer classes, and more.
- ▶ From July 2017 to June 2018, librarians led 991 classes attended by 55,032 Oldham residents. Families enjoyed concerts and movie nights and adults participated in public forums and community meetings. Monthly computer classes offered instruction for computer users as well as classes in social media, digital imaging, and 3D printing.
- ▶ The Oldham County Library provided 20,335 free one hour Internet sessions to people using library computers and 40,148 wireless sessions to those with their own devices. The Internet has made public libraries more relevant, not less. Librarians have become navigators that help patrons sort through the endless stream of information.
- ▶ The three libraries are open 8,580 hours per year and house 101,137 books, and hundreds of magazine subscriptions. By virtue of the consortium called Kentucky Libraries Unbound, the OCPL also provides 141,052 electronic books. Twelve newspaper subscriptions are delivered daily to all three libraries; the audio/visual collection equals 12,745 movies and 33,426 audio books (downloadable and physical units.)
- ▶ With the library budget we pay the salaries of our employees, maintain 3 buildings, purchase new collections and refresh worn collections, maintain and update 78 public access computers and wifi and provide 24/7 access to thousands of dollars of online research collections via our website. We operate a county wide distribution system that gets materials into the hands of library users from LaGrange to Goshen and Crestwood, and enhance the quality of life and community in Oldham County.
- ▶ The Branch libraries serving the Crestwood and Goshen communities in Oldham County are currently severely constrained in size to be able to provide the level of service that the administration and Board of the Library wish.
- ▶ Even with the 30,000 square foot size of the new Main Library, the small facility sizes of the branch libraries prohibit the Library from achieving standards in the state regarding facility and collection size.

The Library District's goal is to provide well-maintained, aesthetically pleasing, comfortable and easily accessible facilities that serve as community hubs and resource centers.

If you have any questions about this report of need additional financial information please contact the Director, Jessica L. Powell, at the Oldham County Public Library, 308 Yager Avenue, LaGrange, KY 40031. Phone: (502) 222-9713; Fax: (502) 222-1141; Email: Jessica.Powell@oldhampl.org.

**OLDHAM COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET POSITION**

June 30, 2018

	General Fund	Total	Adjustments (Note A)	Statement of Net Position
ASSETS				
Cash	\$ 3,965,859	\$ 3,965,859	\$ -	\$ 3,965,859
Property taxes receivable	16,314	16,314	-	16,314
Other receivable	-	-	-	-
Unamortized bond costs	-	-	45,855	45,855
Capital assets, net of accumulated depreciation	-	-	5,657,985	5,657,985
TOTAL ASSETS	<u>3,982,173</u>	<u>3,982,173</u>	<u>5,703,840</u>	<u>9,686,013</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	-	685,793	685,793
Deferred outflows related to other post retirement benefits	-	-	194,289	194,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>880,082</u>	<u>880,082</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,982,173</u>	<u>\$ 3,982,173</u>	<u>\$ 6,583,922</u>	<u>\$ 10,566,095</u>
LIABILITIES				
Accounts payable	\$ 11,483	\$ 11,483	\$ -	\$ 11,483
Accrued compensated liabilities	-	-	54,959	54,959
Net pension liability	-	-	1,963,960	1,963,960
Net OPEB liability	-	-	674,530	674,530
Bond Premium	-	-	209,313	209,313
Bonds payable	-	-	2,510,000	2,510,000
TOTAL LIABILITIES	<u>11,483</u>	<u>11,483</u>	<u>5,412,762</u>	<u>5,424,245</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow of resources related to pension	-	-	181,105	181,105
Deferred inflow of resources related to other post retirement benefits	-	-	35,317	35,317
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>216,422</u>	<u>216,422</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>11,483</u>	<u>11,483</u>	<u>5,629,184</u>	<u>5,640,667</u>
FUND BALANCES/NET POSITION				
Fund balances				
Non-spendable	-	-	-	-
Unassigned	3,970,690	3,970,690	(3,970,690)	-
TOTAL FUND BALANCES	<u>3,970,690</u>	<u>3,970,690</u>	<u>(3,970,690)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,982,173</u>	<u>\$ 3,982,173</u>		<u>\$ 5,640,667</u>
Net Position				
Invested in capital assets, net of related debt			2,984,527	2,984,527
Restricted			23,098	23,098
Unrestricted			1,917,803	1,917,803
TOTAL NET POSITION			<u>4,925,428</u>	<u>4,925,428</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			<u>\$ 6,583,922</u>	<u>\$ 10,566,095</u>

The accompanying notes are an integral part of this statement

**OLDHAM COUNTY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

For The Year Ended June 30, 2018

Fund balances - total governmental funds **\$ 3,970,690**

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 5,657,985

Unamortized general long-term debt issue costs are not financial
resources and, therefore, are not reported in the funds. 45,855

Short-term liabilities are due and payable in the current period and
related to debt service. -

Long-term liabilities are not due and payable in the current period and, therefore,
are not reported in the funds.

Compensated absences	(54,959)	
Unamortized bond premium	(209,313)	
Bonds payable	(2,510,000)	
Net pension liability	(1,963,960)	
Net OPEB liability	(674,530)	
	(5,412,762)	(5,412,762)

Deferred outflows and inflows of resources related to pensions are
applicable to future periods and, therefore, are not reportable in funds.

Deferred outflows of resources	685,793	
Deferred inflows of resources	(181,105)	
	504,688	504,688

Deferred outflows and inflows of resources related to post employment
benefits (OPEB) applicable to future periods and, therefore, are not reportable in funds.

Deferred outflows of resources	194,289	
Deferred inflows of resources	(35,317)	
	158,972	158,972

Total Net Position **\$ 4,925,428**

The accompanying notes are an integral part of this statement

OLDHAM COUNTY PUBLIC LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	General Fund	Total	Adjustments (Note A)	Statement of Activities
REVENUES				
Property taxes	\$ 2,593,221	\$ 2,593,221	\$ -	\$ 2,593,221
Governmental grants	219,170	219,170	-	219,170
Gifts and contributions	14,173	14,173	-	14,173
Book rentals and fines	29,566	29,566	-	29,566
Copier and fax income	17,771	17,771	-	17,771
Investment income	26,799	26,799	-	26,799
Miscellaneous income	56,495	56,495	-	56,495
		-		
TOTAL REVENUES	2,957,195	2,957,195	-	2,957,195
EXPENDITURES/EXPENSES				
Personnel	1,415,963	1,415,963	235,194	1,651,157
Library materials	145,347	145,347	(133,949)	11,398
Operating expenses	578,342	578,342	-	578,342
Capital outlay	45,762	45,762	(45,762)	-
Depreciation	-	-	297,273	297,273
Debt service	3,220,750	3,220,750	(3,220,750)	-
Debt service - bond interest	-	-	135,750	135,750
Debt service - amortization of bond costs	-	-	(23,257)	(23,257)
Debt service - other bond costs	-	-	5,095	5,095
TOTAL EXPENDITURES/EXPENSES	5,406,164	5,406,164	(2,750,406)	2,655,758
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	(2,448,969)	(2,448,969)	2,750,406	301,437
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issue	-	-	-	-
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCES/ NET POSITION	(2,448,969)	(2,448,969)	2,750,406	301,437
PRIOR PERIOD ADJUSTMENT				(510,935)
FUND BALANCE/NET POSITION, BEGINNING	6,419,659	6,419,659	(1,284,733)	5,134,926
FUND BALANCE/NET POSITION, ENDING	\$ 3,970,690	\$ 3,970,690	\$ 1,465,673	\$ 4,925,428

The accompanying notes are an integral part of this statement

OLDHAM COUNTY PUBLIC LIBRARY

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2018

Net change in fund balances - Governmental Funds Statement	\$ (2,448,969)
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$297,273) exceeded capital outlay (\$179,711) in the current period.	(117,562)
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Repayments of bond principal are expenditures and other financing sources in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,085,000
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Some expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Bond cost amortization	18,162
Compensated absences	(6,702)

Governmental funds report Library pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense.

Amortization of deferred inflow of resources

District pension contributions	160,263	
Costs of benefits earned	(388,755)	
		(228,492)

Change in net position - Statement of Net Position	\$ 301,437
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The accompanying notes are an integral part of this statement

**OLDHAM COUNTY PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES**

For The Year Ended June 30, 2018

Personnel	
Librarian and library staff	\$ 1,073,805
Payroll taxes	82,183
Pension expenditures	160,356
Insurance	99,619
	<hr/>
Total Personnel	1,415,963
	<hr/>
Library materials	
Books	81,179
Periodicals	11,765
Audio/visual aids/software	41,005
Library supplies	11,398
	<hr/>
Total Library Materials	145,347
	<hr/>
Operating expenses	
Utilities	59,600
Rent	40,380
Maintenance	161,509
Insurance	35,463
Office supplies	5,393
Advertising/printing	19,444
Travel expenditures	10,836
Professional fees	16,834
Program expense/public relations	58,010
Staff training	-
Dues	5,998
Postage	5,001
Equipment/furniture/building	-
Data services	159,849
Miscellaneous expenditures	25
	<hr/>
Total Operating Expenses	578,342
	<hr/>
Capital outlay/Other	
Construction	-
Debt service	3,220,750
Other	45,762
	<hr/>
Total Capital Outlay	3,266,512
	<hr/>
Total Expenditures	\$ 5,406,164
	<hr/>

The accompanying notes are an integral part of this statement

OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oldham County Public Library (the "Library") was established under provisions of Kentucky Revised Statutes as a special taxing district. The Library was established for the purpose of providing library services to the people of Oldham County, Kentucky. The Library is governed by a five-member Board of Trustees who governs with fixed terms as specified by law.

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the new reporting model implemented by the Library. The more significant of the Library's accounting policies are described below.

- (1) **Reporting Entity** – The Library is the basic level of government that has oversight responsibility and control over all activities related to the public library in Oldham County, Kentucky. The Library receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Library board members have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.
- (2) **Government-Wide and Fund Financial Statements** – The financial statement presentation for the Library includes separate columns reporting a statement of net position and a statement of activities. These statements present a government-wide presentation of all activities of the Library.
- (3) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Both long-term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the *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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Only current assets and current liabilities generally are included on the balance sheet.

Property tax revenues and revenues from the Commonwealth of Kentucky are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (4) **Fund Accounting** – The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Library reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the Library except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the laws of the Kentucky and the bylaws of the Library.

Fund Balances

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Library's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Non-spendable – resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the Library imposed on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (5) **Budget** – The Library adopts an annual budget for the general fund. The budget is prepared on the cash basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid, respectively. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. A reconciliation of the cash basis actual amounts in the budgetary comparison to the GAAP basis actual amounts in the fund and government-wide statements is shown at the bottom of the budgetary comparison schedule. The amended budget amounts presented in the accompanying financial statements have been adjusted for authorized amendments of the annual budget adopted by the Library Board of Trustees. All appropriations lapse at year end.
- (6) **Cash and Cash Equivalents** – For the purpose of these financial statements, cash equivalents include time deposits, certificate of deposit, and all highly liquid debt instruments with original maturities of three months or less.
- (7) **Net Position** – Net position presents the difference between assets and liabilities in the statement of net assets. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted if and when there are legal limitations imposed on their use by Library legislation or external restrictions by creditors, grantors, laws or regulations of other governments.
- (8) **Capital Assets** – Land, buildings, collection, and other capital assets with useful lives of more than one year resulting from expenditures in the governmental funds are recorded at cost (or estimated historical cost) net of accumulated depreciation in the government-wide statement of net assets but are reported as expenditures in governmental fund financial statements. The Library maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Library does not possess any infrastructure. The Library depreciates capital assets using the straight-line method of depreciation over the estimated useful life of the asset.
- (9) **Allowance for Uncollectible Accounts** – At June 30, 2015, management deems all accounts receivable collectible. Therefore, no allowance for uncollectible accounts is included in the financial statements.
- (10) **Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.
- (11) **Deferred Outflows of Resources** – The Library reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of position. Deferred outflows of resources reported in this year's financial statements relate to the Library's pension plan and OPEB plan and include (1) contributions made to the Library's pension plan and OPEB plan between the measurement date of the net pension liability and the end of the Library's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions, (4) changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund, and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual

OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

experience, changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

(12) **Deferred Inflows of Resources** – The Library's statement of net position reports separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements related to the Library's pension plan and OPEB plan and include (1) changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund (2) difference between projected and actual earning on plan investments and (3) differences between expected and actual experience. The deferred amount related to the changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund and the amount related to the differences between expected and actual experience will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows affect the governmental funds financial statements in the current year.

(13) **Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. 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.

(14) **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(15) **Use of Restricted Resources** – When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before unassigned fund balances.

B. CASH AND INVESTMENTS

At June 30, 2018, the carrying amount of the Library's deposits (cash and cash equivalents) was \$3,982,173. Of the bank balance, \$251,978 is covered by federal depository insurance (FDIC) and the remaining \$3,730,195 is secured by pledged securities held by the pledging financial institution's agent in the Library's name as collateral for bank balances in excess of the FDIC insured amount. Cash deposited in bank accounts that is restricted for specific expenditures as specified by grant or other funding

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

B. CASH AND INVESTMENTS (CONTINUED)

agreements is reported as restricted cash. The Library's deposits consisted of demand deposits and certificates of deposit.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

C. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 304,460	\$ -	\$ -	\$ 304,460
Buildings	6,330,472	-	-	6,330,472
Vehicles	24,458	-	-	24,458
Library collection	995,471	133,949	(172,557)	956,863
Furniture	677,169	-	-	677,169
Equipment	<u>115,097</u>	<u>45,762</u>	<u>-</u>	<u>160,859</u>
Total Cost	8,447,127	179,711	(172,557)	8,454,281
Less:				
Accumulated Depreciation	(2,671,580)	(297,273)	172,557	(2,796,296)
Net Book Value	<u>\$ 5,775,547</u>	<u>\$ (117,562)</u>	<u>\$ -</u>	<u>\$ 5,657,985</u>

D. LIABILITY FOR COMPENSATED ABSENCES

Employees are allowed to accrue sick days. However, sick leave does not vest under the Library's policies and accordingly, employees can only utilize sick leave when sick. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Employees are also allowed to accrue vacation hours, which are vested. Accordingly, the employee can be paid for unused vacation days upon termination of employment.

A liability for accumulated vacation hours is accrued when incurred in the government-wide financial statements.

The amount accrued in the government-wide financial statements is \$54,959 at June 30, 2018.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

E. PROPERTY TAXES

The Library's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, personal and motor vehicle property located in Oldham County. Property taxes are collected by the Oldham County Sheriff, the Oldham County Clerk, and the Commonwealth of Kentucky and remitted to the Library. Taxes are due on November 1 and become delinquent by January 1 following the October 1 levy date.

F. EMPLOYEES' RETIREMENT PLAN

General Information about the Pension Plan

Plan description. Employees of the District are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their 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, or 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	On or after January 1, 2014
	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

Employees are vested in the plan after five years of service. Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

F. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are required to contribute 5% of their annual creditable compensation. Tier 2 and 3 employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. Contributions to the pension plan from the District were \$160,263 for the year ended June 30, 2018, of which \$120,991 was for the pension fund and \$39,272 was for the insurance fund.

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

At June 30, 2018, the District reported a liability of \$1,963,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.033553%, which was an increase of 0.000802% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$358,266. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,436	\$ 49,854
Changes of assumptions	362,404	-
Net difference between projected and actual earnings on plan investments	155,543	131,251
Changes in proportion and differences between District contributions and proportionate share of contributions	44,419	-
District contributions subsequent to the measurement date	120,991	-
	<u>\$ 685,793</u>	<u>\$ 181,105</u>

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

F. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The \$120,991 reported as deferred outflows of resources related to pensions resulting from District 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 of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 163,608
2020	154,031
2021	65,883
2022	175
2023	-
	<u>\$ 383,697</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017 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 pension plan investment expense, including inflation

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 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. 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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. 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 the 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 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.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

F. EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The target allocation and best estimates of arithmetic nominal 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	2.00%	1.88%
Total	100%	

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 %) or 1-percentage-point higher (7.25%) than the current rate:

	Decrease (5.25%)	Discount Rate (6.25%)	Increase (7.25%)
District's proportionate share of the net pension liability	\$ 2,476,978	\$ 1,963,960	\$ 1,534,824

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

Payables to the pension plan

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, there was no payable due to the pension plan for the pension fund or for the insurance fund.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

G. POSTEMPLOYMENT BENEFITS

General Information about the Postemployment Benefits Plan (OPEB)

Plan description. Employees of the District are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of contributions paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2017 is \$13.18 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note 5 Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. See Note 5 for contributions to the plan from the District during the current fiscal year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$674,530 for its proportionate share of the net OPEB liability. The net OPEB liability 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 District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.033553%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$76,865. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

G. POSTEMPLOYMENT BENEFITS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,873
Changes of assumptions	146,773	-
Net difference between projected and actual earnings on plan investments	-	31,878
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,566
District contributions subsequent to the measurement date	47,516	-
	<u>\$ 194,289</u>	<u>\$ 35,317</u>

The \$47,516 reported as deferred outflows of resources related to OPEB resulting from District 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 of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ 19,177
2020	19,177
2021	19,177
2022	19,177
2023	27,146
2024	7,604
	<u>\$ 111,458</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average,
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

G. POSTEMPLOYMENT BENEFITS (CONTINUED)

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 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Discount rate. The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note 5 Employee's Pension Plan.

The target allocation and best estimates of arithmetic nominal 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	2.00%	1.88%
Total	100%	

OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

G. POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84 %) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
District's proportionate share of the net OPEB liability	\$ 858,302	\$ 674,530	\$ 521,603

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare trend rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the healthcare trend rate of noted above, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 517,399	\$ 674,530	\$ 878,791

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

Payables to the OPEB plan

The District makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, there was no payable to the pension plan for the OPEB Fund.

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

H. BONDS PAYABLE

The Library has the following long-term obligations outstanding as of June 30, 2018:

\$3,020,000 Oldham County Public Library General Obligation Refunding Bonds, Series 2016, dated August 18, 2016, due in annual installments of \$250,000 to \$320,000 through 2026, interest at 3.00%, and secured by property taxes	\$2,510,000
Less unamortized bond premium	<u>(45,855)</u>
Net carrying amount	<u>\$2,464,145</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 260,000	\$ 37,650
2020	265,000	33,750
2021	275,000	29,775
2022	285,000	25,650
2023	290,000	20,700
2024-2027	<u>1,135,000</u>	<u>41,175</u>
Bond payable	2,510,000	188,700
Less unamortized bond premium	<u>(45,855)</u>	<u>-</u>
Total obligations	<u>\$ 2,464,145</u>	<u>\$ 188,700</u>

I. OTHER LONG-TERM OBLIGATIONS

The Library has the following long-term obligations outstanding as of June 30, 2018:

Accrued compensated absences	\$ <u>61,660</u>
Total long-term obligations	<u>\$ 61,660</u>

J. LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Accrued compensated absences	\$ 55,839	\$ 5,821	\$ -	\$ 61,660
Bonds payable – 2007 Issue	3,070,000	-	235,000	2,835,000
Bonds payable – 2016 Issue	-	3,020,000	260,000	2,760,000
Net pension liability	<u>1,355,975</u>	<u>256,568</u>	<u>-</u>	<u>1,612,543</u>
Total Long-term obligations	<u>\$ 4,481,814</u>	<u>\$ 3,282,389</u>	<u>\$ 495,000</u>	<u>\$ 7,269,203</u>

**OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

K. RISK MANAGEMENT

The Library is exposed to various forms of losses associated with the risks of fire; personal liability; vehicular accidents; errors and omissions; torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. The Library has purchased certain policies that are retrospectively rated which include worker's compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

L. SUBSEQUENT EVENTS

The Library has evaluated subsequent events through September 28, 2018, which is the date the financial statements were available to be issued.

M. PRIOR PERIOD ADJUSTMENT

The Library has recorded an adjustment to the Beginning Net Position of (\$510,935) at July 1, 2017. This adjustment accounts for estimated net other postemployment benefits liability at June 30, 2017, and is being record in accordance with Government Accounting Standards Board Statement No. 75.

OLDHAM COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oldham County Public Library (the "Library") was established under provisions of Kentucky Revised Statutes as a special taxing district. The Library was established for the purpose of providing library services to the people of Oldham County, Kentucky. The Library is governed by a five-member Board of Trustees who governs with fixed terms as specified by law.

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the new reporting model implemented by the Library. The more significant of the Library's accounting policies are described below.

- (1) **Reporting Entity** – The Library is the basic level of government that has oversight responsibility and control over all activities related to the public library in Oldham County, Kentucky. The Library receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Library board members have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.
- (2) **Government-Wide and Fund Financial Statements** – The financial statement presentation for the Library includes separate columns reporting a statement of net position and a statement of activities. These statements present a government-wide presentation of all activities of the Library.
- (3) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The government-wide 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Both long-term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the *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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Only current assets and current liabilities generally are included on the balance sheet.

Property tax revenues and revenues from the Commonwealth of Kentucky are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

REQUIRED SUPPLEMENTAL INFORMATION

OLDHAM COUNTY PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP CASH BASIS) - GENERAL FUND
TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,495,426	\$ 2,495,426	\$ 2,598,830	\$ 103,404
Governmental grants	216,776	216,776	219,170	2,394
Gifts and contributions	-	-	14,173	14,173
Book rentals and fines	27,000	27,000	29,566	2,566
Copier and fax income	15,000	15,000	17,771	2,771
Investment income	3,000	3,000	26,799	23,799
Miscellaneous income	15,100	15,100	56,495	41,395
Bond proceeds	-	-	-	-
TOTAL REVENUES	<u>2,772,302</u>	<u>2,772,302</u>	<u>2,962,804</u>	<u>190,502</u>
EXPENDITURES				
Personnel	1,515,765	1,515,765	1,413,791	101,974
Library materials	164,700	164,700	146,380	18,320
Operating expenses	682,787	682,787	567,892	114,895
Capital outlay	80,000	80,000	45,762	34,238
Debt service	329,050	329,050	3,220,750	(2,891,700)
TOTAL EXPENDITURES	<u>2,772,302</u>	<u>2,772,302</u>	<u>5,394,575</u>	<u>(2,622,273)</u>
CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(2,431,771)</u>	<u>(2,431,771)</u>

BUDGET TO GAAP RECONCILIATION:

A reconciliation of the cash basis actual amounts to the GAAP basis actual amounts in the fund statements follows:

	<u>General Fund</u>
Sources/revenues	
Actual amounts (budgetary basis)	\$ 2,962,804
Differences - budget to GAAP:	
The Library budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis.	<u>(5,609)</u>
Total revenues as reported on the governmental fund statement of revenues, expenditures, and changes in fund balances.	<u>\$ 2,957,195</u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 5,394,575
Differences - budget to GAAP:	
The Library budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis.	<u>11,589</u>
Total expenditures as reported on the governmental fund statement of revenues, expenditures, and changes in fund balance.	<u>\$ 5,406,164</u>

The accompanying notes are an integral part of this statement

OLDHAM COUNTY PUBLIC LIBRARY

SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Library's proportion of the net pension liability (asset)	0.03355300%	0.032751%	0.031538%	0.031537%						
Library's proportionate share of the net pension liability (asset)	\$ 1,963,960	\$ 1,612,542	\$ 1,355,974	\$ 1,023,188						
Library's covered-employee payroll	\$ 816,925	\$ 781,281	\$ 733,335	\$ 723,519						
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.41%	206.40%	184.91%	141.42%						
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%						

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

OLDHAM COUNTY PUBLIC LIBRARY

SCHEDULE OF LIBRARY PENSION FUND CONTRIBUTIONS

County Employees Retirement System

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 120,991	\$ 113,961	\$ 97,035	\$ 94,295	\$ 98,650					
Contributions in relation to the contractually required contribution	\$ (120,991)	\$ (113,961)	\$ (97,035)	\$ (94,295)	\$ (98,650)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
Library's covered-employee payroll	\$ 835,575.07	\$ 816,925	\$ 781,281	\$ 733,335	\$ 723,519					
Contributions as a percentage of covered-employee payroll	14.46%	13.93%	12.40%	12.86%	13.63%					

OLDHAM COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2018

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

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%.
- 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 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 mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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 payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

OLDHAM COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net OPEB liability (asset)	0.03355300%									
District's proportionate share of the net OPEB liability (asset)	\$ 674,530									
District's covered-employee payroll	\$ 816,925									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.57%									
Plan fiduciary net position as a percentage of the total pension liability	52.39%									

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

OLDHAM COUNTY PUBLIC LIBRARY DISTRICT
SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS
County Employees Retirement System

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 39,272	\$ 13,914								
Contributions in relation to the contractually required contribution	\$ (39,272)	\$ (13,914)								
Contribution deficiency (excess)	\$ -	\$ -	\$ 323,232							
District's covered-employee payroll	\$ 835,575.07	\$ 816,925								
Contributions as a percentage of covered-employee payroll	4.68%	1.68%								

OLDHAM COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION

June 30, 2018

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

Changes of assumptions. The following changes were made by the Kentucky Legislature 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 payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	28 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

GOVERNMENTAL AUDITING STANDARDS

**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***

DePRIE & ADKISSON, PSC
Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

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 Directors
Oldham County Public Library
LaGrange, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oldham County Public Library as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Oldham County Public Library, Kentucky's basic financial statements and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oldham County Public Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oldham County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oldham County Public Library'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Oldham County Public Library
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oldham County Public Library'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*.

Purpose of this Report

This 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 communications is not suitable for any other purpose.

DePrie & Adkisson, PSC

Certified Public Accountants

September 28, 2018