

WOODFORD COUNTY LIBRARY DISTRICT  
FINANCIAL STATEMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2021



**CRAFT, WANINGER, NOBLE**  
& COMPANY, PLLC

CPAs & Trusted Advisors  
Post Office Box 827  
Richmond, KY 40476  
[www.craftnoble.com](http://www.craftnoble.com)

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
Management's Discussion and Analysis	3 - 5
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11 - 22
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 <i>Government Auditing Standards</i>	23 - 24
Schedule of Findings and Responses	25
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	26
Schedule of Proportionate Share of the Net Pension Liability	27
Schedule of Pension Contributions	28
Schedule of Changes in Benefits and Assumptions- Pension	29
Schedule of Proportionate Share of the Net OPEB Liability	30
Schedule of OPEB Contributions	31
Schedule of Changes in Benefits and Assumptions- OPEB	32

## 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, 2021, 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, 2021, 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.



## ***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 32 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 December 3, 2021 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, Waninger, Noble & Company, PLLC*

Craft, Waninger, Noble & Company, PLLC  
Richmond, Kentucky  
December 3, 2021

## **Woodford County Library District Management's Discussion and Analysis**

*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, 2021. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.*

### **Financial Highlights**

- I. *The Library spent approximately 9.18% of its tax revenues on Library Materials.*
- II. *The Library's income from property tax increased 3.12% from the previous fiscal year.*
- III. *The Library continues to spend on improved computer equipment, facilities, and programming services. The Library is currently in the midst of a renovation/expansion project of the library facility located in Versailles, KY.*

### **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.

### **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, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 6,380,249	\$ 5,929,457	\$ 450,792
Other assets	4,665,082	1,629,429	3,035,653
Deferred outflows	531,966	490,430	41,536
Long-term liabilities	5,202,925	1,812,290	3,390,635
Current liabilities	89,943	27,786	62,157
Deferred inflows	141,975	218,815	(76,840)
Invested in fixed assets	3,234,706	5,929,457	(2,694,751)
Unrestricted net position	2,907,748	60,968	2,846,780

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Taxing district revenues	\$ 1,786,162	\$ 1,732,148	\$ 54,014
Grant revenues	3,000	16,336	(13,336)
Investment income	9,370	23,678	(14,308)
Public support	10,115	8,348	1,767
Other revenues	12,162	41,378	(29,216)
Total revenues	<u>1,820,809</u>	<u>1,821,888</u>	<u>(1,079)</u>
Personnel expenses	999,552	1,136,605	(137,053)
Library materials	164,013	178,431	(14,418)
General maintenance	42,653	29,670	12,983
Telecommunication	24,816	21,894	2,922
Postage	3,525	4,357	(832)
Utilities	43,312	54,114	(10,802)
Building repair and maintenance	26,586	43,715	(17,129)
Other operating expenses	125	445	(320)
Bookmobile operations	3,968	6,821	(2,853)
Computer expenses	74,903	73,502	1,401
Insurance	16,954	17,734	(780)
Continuing education	747	5,068	(4,321)
Public relations, dues	25,047	30,176	(5,129)
Professional services	16,577	17,132	(555)
Programming	13,782	16,686	(2,904)
Bond issuance costs	51,660	-	51,660
Interest	11,974	-	11,974
Collection adjustment	(45,346)	(75,106)	29,760
Depreciation	<u>193,930</u>	<u>194,511</u>	<u>(581)</u>
Total expenditures	<u>1,668,778</u>	<u>1,755,755</u>	<u>(86,977)</u>
Change in net position	<u>\$ 152,031</u>	<u>\$ 66,133</u>	<u>\$ 85,898</u>

The Library's main source of revenue is property tax, which is approximately 98.10% of the Library's total revenue. Other income sources included grants, donations, state aid, and fines and fees. The personnel expense represents 59.90% of total operating expenditures – slightly below the state average of 65.27%. Expenses related to the amortization of the CERS pension and OPEB expenses were \$184,030 for the year.

### Capital Asset Activity

Capital asset activity included a renovation/expansion project that will create a local history room to hold historical papers and books currently housed at the Woodford County Historical Society. The expansion project will also dramatically increase the library's programming space. Financing to proceed on the project was secured in April 2021 and the Library broke ground on the project soon thereafter. Projected completion of the renovation/expansion project is Spring 2022.

## 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. A summarized comparison of budget highlights is listed below:

	Budget Comparison for 2021 – 2020		
	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net revenues	\$ 1,773,874	\$ 1,820,809	\$ 46,935
Personnel expenses	1,068,866	824,249	244,617
Library materials	182,000	164,013	17,987
General maintenance	40,000	42,653	(2,653)
Telecommunication	17,000	24,816	(7,816)
Postage	5,000	3,525	1,475
Utilities	63,000	43,312	19,688
Building repair and maintenance	50,000	26,586	23,414
Other operating expenses	2,500	125	2,375
Bookmobile operations	6,300	3,968	2,332
Computer expenses	90,000	74,903	15,097
Insurance	17,500	16,954	546
Continuing education	4,000	747	3,253
Public relations, dues	34,000	25,047	8,953
Professional services	18,000	16,577	1,423
Programming	25,000	13,782	11,218
Bond issuance costs	-	51,660	(51,660)
Capital outlay	150,708	599,377	(448,669)
Proceeds from Long-Term Debt	-	3,060,000	(3,060,000)
Premium on bond issuance	-	86,141	(86,141)
	<u>\$ -</u>	<u>\$ 3,034,656</u>	<u>\$ (3,257,626)</u>

## Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2021 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 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, Patrick Hall.

Woodford County Library District  
Statement of Net Position  
June 30, 2021

Assets	
Cash and cash equivalents	\$ 1,991,796
Restricted cash and cash equivalents	2,641,603
Accounts receivable	9,953
Prepaid expenses	21,730
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	4,109,084
Construction in progress	913,964
Nondepreciable assets including land and library collection	1,357,201
Total Fixed Assets	<u>6,380,249</u>
Total Assets	<u>11,045,331</u>
Deferred Outflows of Resources:	
Subsequent pension and OPEB contributions	119,582
Deferred outflows related to pensions	203,669
Deferred outflows related to OPEB	<u>208,715</u>
Total Deferred Outflows of Resources	<u>531,966</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,577,297</u>
Liabilities:	
Accounts payable	\$ 25,783
Accrued interest payable	12,572
Current portion of compensated absences	3,000
Current portion of long-term debt	45,000
Current portion of bond premium	3,588
Long-Term Obligations:	
Compensated absences	18,049
Long-term debt	3,015,000
Bond premium	81,955
Net pension liability	1,588,077
Net OPEB liability	<u>499,844</u>
Total Liabilities	<u>5,292,868</u>
Deferred Inflows of Resources:	
Deferred inflows related to pensions	36,415
Deferred inflows related to OPEB	<u>105,560</u>
Total Deferred Inflows of Resources	<u>141,975</u>
Net Position:	
Invested in fixed assets	3,234,706
Unrestricted	<u>2,907,748</u>
Total Net Position	<u>6,142,454</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 11,577,297</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, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
Governmental activities				
Library Services	\$ (1,668,778)	813	13,115	\$ (1,654,850)
General Revenues:				
			Taxing district revenues	\$ 1,786,162
			Investment income	9,370
			Other income	11,349
			Total general revenues	1,806,881
			Change in net position	152,031
			Net position - beginning	5,990,423
			Net position - ending	\$ 6,142,454

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

Woodford County Library District  
Balance Sheet  
Governmental Fund  
June 30, 2021

	Governmental Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 4,633,399
Accounts receivable	9,953
Prepaid expenses	21,730
Total Assets	\$ 4,665,082
<b>Liabilities</b>	
Accounts payable	\$ 25,783
Compensated absences	3,000
Total Liabilities	\$ 28,783
<b>Fund Balances</b>	
Nonspendable	\$ 21,730
Committed- Construction Fund	2,641,603
Unassigned	1,972,966
Total Fund Balances	\$ 4,636,299
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	\$ 6,380,249
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	(1,697,930)
Certain liabilities (including bonds payable, bond premium and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(3,176,164)
Net position of governmental activities	\$ 6,142,454

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, 2021

	Governmental Fund
Revenues	
Taxing district revenues	\$ 1,786,162
Grant revenues	3,000
Investment income	9,370
Public support	10,115
Other revenues	12,162
Total Revenues	1,820,809
Expenditures	
Personnel expenses	824,249
Library materials	164,013
General maintenance	42,653
Telecommunication	24,816
Postage	3,525
Utilities	43,312
Building repair and maintenance	26,586
Other operating expenses	125
Bookmobile operations	3,968
Computer expenses	74,903
Insurance	16,954
Continuing education	747
Public relations, dues	25,047
Professional services	16,577
Programming	13,782
Bond issuance costs	51,660
Total Current Expenditures	1,332,917
Operating capital outlays	599,377
Total Expenditures	1,932,294
Other financing sources	
Proceeds from Long-Term Debt Issued	3,060,000
Premium on bond issuance	86,141
Total other financing sources	3,146,141
Net change in fund balance	3,034,656
Fund balance - beginning	1,601,643
Fund balance - ending	\$ 4,636,299

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, 2021

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	3,034,656
--	----	-----------

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		599,377
Depreciation Expense		(193,930)
Collection Adjustment		45,346

Governmental Funds report pension and OPEB related expenses of \$119,583. However, the Statement of Net Position reports pension and OPEB expenses calculated pursuant to GASB 68 and 75 of \$303,613.		(184,030)
--	--	-----------

Proceeds from long-term debt issues is an other financing source in the governmental funds but the receipt increases long-term liabilities in the Statement of Net Position.		(3,146,141)
--	--	-------------

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 and accrued interest		(3,247)
---	--	---------

Change in Net Position of Governmental Activities	\$	<u>152,031</u>
---	----	----------------

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

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, 2021

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, 2021 was \$193,930.

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, 2021 fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable	\$ 21,730
Committed- Construction Fund	\$ 2,641,603
Unassigned	\$ 1,972,966

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, 2021

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 – 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, 2021 was as follows:

Category 1	\$	500,000
Category 2	\$	4,182,435
Category 3	\$	-

NOTE 3 – 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 \$45,346.

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	353,991	559,973	-	913,964
Library collection	1,271,855	45,346	-	1,317,201
Buildings & Improvements	6,508,288	-	-	6,508,288
Furniture and equipment	1,067,697	39,404	-	1,107,101
Vehicles	79,185	-	-	79,185
Total at historical cost	<u>9,321,016</u>	<u>644,723</u>	<u>-</u>	<u>9,965,739</u>
Less: Accumulated Depreciation	<u>(3,391,560)</u>	<u>(193,930)</u>	<u>-</u>	<u>(3,585,490)</u>
Capital assets – net	<u>\$ 5,929,456</u>	<u>\$ 450,793</u>	<u>\$ -</u>	<u>\$ 6,380,249</u>

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

NOTE 4 – 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, 2021, the liability for these absences was \$21,049 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 5- LONG-TERM DEBT

Series 2021 Bonds

The library issued \$3,060,000 of General Obligation Bonds, Series 2021 dated April 6, 2021 with an average interest rate of 3% to finance the renovation and expansion of the Library. The bonds will mature on December 1, 2045.

The maturities of bonds payable of \$3,060,000 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 45,000	\$ 76,723	\$ 121,723
2023	95,000	67,944	162,944
2024	95,000	65,094	160,094
2025	100,000	62,169	162,169
2026	100,000	59,169	159,169
2027-2031	555,000	248,044	803,044
2032-2036	620,000	180,344	800,344
2037-2041	690,000	115,044	805,044
2042-2046	760,000	41,028	801,028
Total	<u>\$ 3,060,000</u>	<u>\$ 915,557</u>	<u>\$ 3,975,557</u>

Premium on Series 2021 Bonds

The Series 2021 Bonds were issued at a premium of \$85,543 which will be amortized over the life of the bonds which was 300 months. Below is the amortization of the bond premium of \$85,543.

	<u>Bond Premium</u>
2022	3,588
2023	3,422
2024	3,422
2025	3,422
2026	3,422
2027-2031	17,110
2032-2036	17,110
2037-2041	17,110
2042-4026	16,937
Total	<u>\$ 85,543</u>

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

**NOTE 6 – LONG-TERM OBLIGATIONS**

A summary of changes in long-term debt follows:

	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Bond Premium</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Payable at June 30, 2020	\$ 29,775	\$ -	\$ -	\$ 1,441,000	\$ 344,515	\$ 1,470,775
Increase in obligation	-	3,060,000	86,141	147,077	155,329	3,448,547
Decrease in obligation	(8,726)	-	(598)	-	-	(8,726)
Payable at June 30, 2021	<u>\$ 21,049</u>	<u>\$ 3,060,000</u>	<u>\$ 85,543</u>	<u>\$ 1,588,077</u>	<u>\$ 499,844</u>	<u>\$ 4,910,596</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.

Contributions were received from various donors and sources during the year. These contributions totaling \$10,115 were unrestricted and were spent on operations.

**NOTE 8 – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2021 were levied on October 1, 2020 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.

**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.

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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 at least 4 years of service and 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

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.

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

At June 30, 2021, 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	\$	1,588,077
Commonwealth's proportionate share of the CERS net pension liability associated with the Library		7,668,329,134
		7,669,917,211
	\$	7,669,917,211

The net pension liability for each plan was measured as of June 30, 2020, 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, 2020, the Library's proportion was 0.020705%.

For the year ended June 30, 2021, the Library recognized pension expense of \$247,084 to CERS. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 39,602	\$ -
Changes of assumptions	62,013	-
Difference between projected and actual earnings	68,838	29,098
Changes in proportionate share and differences between contributions and proportionate share of contributions	33,216	7,317
Contributions made subsequent to the measurement date	95,924	-
	\$ 299,593	\$ 36,415

The \$95,924 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	Increase (decrease) in pension expense
2022	\$ 77,493
2023	53,793
2024	20,007
2025	15,961
Total	\$ 167,254

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

**NOTE 9 – RETIREMENT PLAN (CONTINUED)**

*Actuarial assumptions*—The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30%, 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 Pub-210 General Mortality table, for the Non-Hazardous System, and the Pub-210 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-210 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For CERS, the long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous systems.

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	18.75%	4.50%
International Equity	18.75%	5.25%
Core Bonds	13.50%	-0.25%
Cash Equivalent	1.00%	-0.75%
High Yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real Estate	5.00%	5.30%
Real Return	15.00%	3.95%
Private Equity	<u>10.00%</u>	<u>6.65%</u>
Total	<b>100.00%</b>	<b>3.96%</b>

*Discount rate*— For CERS, the discount rate used to measure the total pension liability was 6.25%. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan’s fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system.

*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%	\$ 1,958,419
Current discount rate	6.25%	\$ 1,588,077
1% increase	7.25%	\$ 1,281,382

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

*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.

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

At June 30, 2021, 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	\$	499,844
Commonwealth’s proportionate share of the CERS net OPEB liability associated with the Library		2,414,196,040
	\$	2,414,695,884

The net OPEB liability for each plan was measured as of June 30, 2020, 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, 2020, the Library’s proportion was 0.020705%.

For the year ended June 30, 2021, the Library recognized OPEB expense of \$56,529 related to CERS. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 83,509	\$ 83,574
Changes of assumptions	86,939	529
Difference between projected and actual earnings	26,812	10,199
Changes in proportionate share and differences between contributions and proportionate share of contributions	11,455	11,258
Contributions made subsequent to the measurement date	23,658	-
	\$ 232,373	\$ 105,560

The \$23,658 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, 2022. 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 on the next page.

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

**NOTE 9 – RETIREMENT PLAN (CONTINUED)**

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2022	\$ 26,652
2023	31,569
2024	22,152
2025	23,383
2026	(601)
2027 and thereafter	-
Total	\$ 103,155

*Actuarial assumptions*—The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 11.55%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation

Healthcare Cost Trend Rate

Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

For CERS, the mortality table used for active members is Pub-210 General Mortality table, for the Non-Hazardous System, and the Pub-210 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-210 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For CERS, the long-term expected rate of return was determined by using a building block method in which best estimates ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous systems.

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	18.75%	4.50%
International Equity	18.75%	5.25%
Core Bonds	13.50%	-0.25%
Cash Equivalent	1.00%	-0.75%
High Yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real Estate	5.00%	5.30%
Real Return	15.00%	3.95%
Private Equity	<u>10.00%</u>	<u>6.65%</u>
Total	<b>100.00%</b>	<b>3.96%</b>

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

**NOTE 9 – RETIREMENT PLAN (CONTINUED)**

*Discount rate*— For CERS, the discount rate used to measure the total OPEB liability was 5.34%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*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.

	<u>Discount rate</u>	<u>Library’s proportionate share of net OPEB liability</u>
1% decrease	4.34%	\$ 642,119
Current discount rate	5.34%	\$ 499,844
1% increase	6.34%	\$ 382,941

*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.

	<u>Library’s proportionate share of net OPEB liability</u>
1% decrease	\$ 386,984
Current healthcare cost trend rate	\$ 499,844
1% increase	\$ 636,745

*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.

Woodford County Library District  
Notes to Financial Statements  
June 30, 2021

NOTE 11- CORONAVIRUS (COVID-19) IMPACT

The global coronavirus (COVID-19) pandemic continues to impact the Library. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The extent to which COVID-19 may impact the Library will depend on future developments and government regulations, which are highly uncertain and cannot be predicted. As a result, the Organization has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.

NOTE 12 – SUBSEQUENT EVENTS

The Library is in the process of constructing a new library to better serve the patrons with increased space and services. This is an ongoing process and more will be represented in the following year financial statements as the Library continues to service its patrons to the best of its abilities.

Management of the Organization has considered subsequent events through December 3, 2021 , 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, 2021, 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 December 3, 2021 .

### **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) as a basis for designing 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. (2021-01).

### **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 financial statements. 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, Waninger, Noble & Company, PLLC*

Craft, Waninger, Noble & Company, PLLC  
Richmond, Kentucky  
December 3, 2021

WOODFORD COUNTY LIBRARY DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2021

FINDINGS- FINANCIAL STATEMENT AUDIT

**2021-1**

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, 2021

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues</b>				
Taxing district revenues	\$ 1,747,374	\$ 1,747,374	\$ 1,786,162	\$ 38,788
Grant revenues	-	-	3,000	3,000
Investment income	10,000	10,000	9,370	(630)
Public support	5,000	5,000	10,115	5,115
Other revenues	11,500	11,500	12,162	662
Total Revenues	<u>1,773,874</u>	<u>1,773,874</u>	<u>1,820,809</u>	<u>46,935</u>
<b>Expenditures</b>				
<b>Current</b>				
Personnel expenses	1,068,866	1,068,866	824,249	244,617
Library materials	182,000	182,000	164,013	17,987
General maintenance	40,000	40,000	42,653	(2,653)
Telecommunication	17,000	17,000	24,816	(7,816)
Postage	5,000	5,000	3,525	1,475
Utilities	63,000	63,000	43,312	19,688
Building repair and maintenance	50,000	50,000	26,586	23,414
Other operating expenses	2,500	2,500	125	2,375
Bookmobile operations	6,300	6,300	3,968	2,332
Computer expenses	90,000	90,000	74,903	15,097
Insurance	17,500	17,500	16,954	546
Continuing education	4,000	4,000	747	3,253
Public relations, dues	34,000	34,000	25,047	8,953
Professional services	18,000	18,000	16,577	1,423
Programming	25,000	25,000	13,782	11,218
Building fund	-	-	-	-
Bond issuance costs	-	-	51,660	(51,660)
Total Current Expenditures	<u>1,623,166</u>	<u>1,623,166</u>	<u>1,332,917</u>	<u>290,249</u>
Operating capital outlays	<u>150,708</u>	<u>150,708</u>	<u>599,377</u>	<u>(448,669)</u>
Total Expenditures	<u>1,773,874</u>	<u>1,773,874</u>	<u>1,932,294</u>	<u>(158,420)</u>
<b>Other financing sources</b>				
Proceeds from Long-Term Debt Issued	-	-	3,060,000	(3,060,000)
Premium on bond issuance	-	-	86,141	(86,141)
Net change in fund balance	-	-	3,034,656	(111,485)
Fund balance - beginning	<u>1,601,643</u>	<u>1,601,643</u>	<u>1,601,643</u>	
Fund balance - ending	<u>\$ 1,601,643</u>	<u>\$ 1,601,643</u>	<u>\$ 4,636,299</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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability	0.020705%	0.020489%	0.019600%	0.020741%	0.021053%	0.020510%	0.019834%	0.019834%
Library's proportionate share of the net pension liability	\$ 1,588,077	\$ 1,441,000	\$ 1,193,700	\$ 1,214,333	\$ 1,035,699	\$ 881,820	\$ 643,505	\$ 728,140
Library's covered employee payroll	\$ 497,017	\$ 530,366	\$ 517,798	\$ 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	319.52%	271.70%	230.53%	242.27%	203.18%	175.69%	134.48%	160.02%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution	\$ 95,924	\$ 102,361	\$ 83,987	\$ 72,577	\$ 71,108	\$ 62,339	\$ 61,012	\$ 62,522	\$ 52,693
Contributions relative to contractually required employer contribution	<u>\$ 95,924</u>	<u>\$ 102,361</u>	<u>\$ 83,987</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 497,017	\$ 530,366	\$ 517,798	\$ 501,224	\$ 509,742	\$ 501,924	\$ 478,520	\$ 455,035	\$ 417,531
Employer contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	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, 2021

**County Employee Retirement System**

*Changes of benefit terms* – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

*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:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to 10.30%.

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 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 reports in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	25 years
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	3.30%, average, including inflation
Investment rate of return	6.25%, 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, 2021, 2020, 2019, 2018, and 2017

	2021	2020	2019	2018	2017
Library's proportion of the net OPEB liability	0.020705%	0.020489%	0.019600%	0.020741%	0.021053%
Library's proportionate share of the net OPEB liability	\$ 499,844	\$ 344,515	\$ 347,994	\$ 416,961	\$ 327,053
Library's covered employee payroll	\$ 497,017	\$ 530,366	\$ 517,798	\$ 501,224	\$ 509,742
Library's share of the net OPEB liability as a percentage of its covered employee payroll	100.57%	64.96%	67.21%	83.19%	64.16%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	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, 2021, 2020, 2019, 2018, and 2017

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 23,658	\$ 25,245	\$ 27,236	\$ 23,558	\$ 24,111
Contributions relative to contractually required employer contribution	<u>\$ 23,658</u>	<u>\$ 25,245</u>	<u>\$ 27,236</u>	<u>\$ 23,558</u>	<u>\$ 24,111</u>
Contribution deficiency (excess)	<u>\$ -</u>				
 Company's covered employee payroll	 \$ 497,017	 \$ 530,366	 \$ 517,798	 \$ 501,224	 \$ 509,742
Employer contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	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*

See Independent Auditor's Report.

Woodford County Library District  
 Schedule of Changes in Benefits and Assumptions- OPEB  
 For the Year Ended June 30, 2021

**County Employee Retirement System**

*Changes of benefit terms* – The following changes were adopted during the 2018 legislative session.

- The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

*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:

2020

- The single discount rate was decreased from 5.68% to 5.34%.

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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%

*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 reports in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	25 years
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	3.30%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation