

**BULLITT COUNTY PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**With**

**Independent Auditor's Report**

**BULLITT COUNTY PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

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**Independent Auditor's Report**

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**ADKISSON & COMPANY, PSC**

Certified Public Accountants

12730 Townepark Way, Suite 103  
Louisville, Kentucky 40243

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Bullitt County Public Library  
Shepherdsville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bullitt County Public Library, as of and for the year ended June 30, 2019, 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 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 and each major fund of the Bullitt County Public Library as of June 30, 2019, 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  
Bullitt County Public Library  
Page 2

**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 26, 2019, on our consideration of the Bullitt 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 Bullitt County Public Library's internal control over financial reporting and compliance.

*Adkisson & Company, PSC*

Certified Public Accountants  
Louisville, Kentucky

September 26, 2019

# BULLITT COUNTY PUBLIC LIBRARY

*Explore. Learn. Enjoy.*

**Ridgway Memorial Library**  
Main Library and Administrative Office  
127 N. Walnut, P.O. Box 99  
Shepherdsville, KY 40165  
(502) 543-7675  
(502) 543-5487 fax  
Mon.-Thurs. 9 a.m.-8 p.m.  
Fri. & Sat. 9 a.m.-5 p.m.  
Sun. 1 p.m.-5 p.m.

**Dorothea Stottman Annex**  
Technical Services and Programming  
1251 Hillview Blvd.  
Louisville, KY 40229  
(502) 543-7675  
(502) 957-0455 fax  
Mon.-Fri. 9 a.m.-5 p.m.  
Closed Saturday and Sunday

**Hillview Library**  
Branch Library  
155 Terry Blvd.  
Hillview, KY 40229  
(502) 957-5759  
(502) 957-0448 fax  
Mon.-Thurs. 9 a.m.-8 p.m.  
Fri. & Sat. 9 a.m.-5 p.m.  
Closed Sunday

**Mt. Washington Library**  
Branch Library  
311 Snapp St.  
Mt Washington, KY 40047  
(502) 538-7560  
(502) 538-2696 fax  
Mon.-Thurs. 9 a.m.-8 p.m.  
Fri. & Sat. 9 a.m.-5 p.m.  
Closed Sunday

**Lebanon Junction Library**  
Branch Library  
11382 S. Preston Hwy.  
Lebanon Jct., KY 40150  
(502) 833-4648  
(502) 833-9877 fax  
Mon.-Thurs. 9 a.m.-8 p.m.  
Fri. & Sat. 9 a.m.-5 p.m.  
Closed Sunday

## **Bullitt County Public Library Management's Discussion and Analysis Fiscal Year 2018-2019**

The Bullitt County Public Library District is a special purpose governmental entity that was formed by petition under Kentucky Revised Statutes 173.720. The governing board is a five member board with fixed terms as specified by Kentucky law. The Library's Board of Trustees sets and approves the budget based on the annual fiscal year starting July 1<sup>st</sup> and ending June 30<sup>th</sup>. The Board has regular meetings that take place 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. Other information about the Library system is available at the Library's web site ([www.bcplib.org](http://www.bcplib.org)). Questions should be directed to the administrative offices located at the Ridgway Memorial Library in Shepherdsville.

The 2010 census shows the county population at **74,319**. The most current population estimate is for 2018 and it estimates the population at **81,069**. Bullitt County is still the 10<sup>th</sup> largest county by population in the state of Kentucky. The county population grew 21.4% in the last decade. The tax base has been stable thanks to the growth in county population and in available jobs, primarily in the order-fulfillment industry. The demands on library services are ever increasing thanks to the continuing growth in county population and the changing needs of the public. The Library provides: materials for checkout, in both physical and digital formats; experiences and education through programs and events; and, a physical space for people to ready, study, work, relax, gather, and enjoy. With recent work put in on researching and creating a Strategic Agenda for the next few years, the Library hopes to expand its visibility in the county and become an increasingly essential part of everyday life.

Bullitt County Library District tax rate is **6.8** cents per \$100 assessed value for real property and personal property and **2.12** per \$100 for motor vehicle assessed value. This reflects .1 cent decrease in real property tax rates, a .2 cent decrease in personal property tax rates, and the same rate for motor vehicle rate from the previous year. During the fiscal year 2018 – 2019, Bullitt County Public Libraries received **\$7,581,621** in total revenues, an increase from \$7,138,300 in 2017 – 2018 total revenues. Of that amount, **\$7,315,888** was from local property taxes. **96%** of the Library's total revenue comes from tax revenue. As of June 30, 2019, the Library District had a total fund balance of **\$17,489,593**, and a total liabilities and net asset of **\$35,117,596**. The Library's long term liabilities were **\$5,353,412**. The long term liabilities include a construction loan funded by a grant from the State of Kentucky that pays roughly \$40,000 annually, funds to cover compensated absences, and County Employee Retirement System pensions.

The Library receives its tax income in uneven amounts. About half of the tax income is received when the real estate property taxes are collected and distributed in the final quarter of the calendar year. The rest of the income comes in unequal and usually diminishing amounts throughout the remainder of the year. The Library

## BULLITT COUNTY PUBLIC LIBRARY

needs to maintain enough cash on hand to meet expenses not only to the end of the current fiscal year, but also until the next property tax collections are made the following November or December.

The Bullitt County Public Library is working on multiple construction projects. Currently, a totally new branch in the west end of the county that will provide coverage to an area that has no local branch is under construction and will be completed in late 2019. Additionally, a new main library building is being designed and future renovations for all branches are outlined in our Master Facilities Plan. We plan to improve furnishings and spaces in our existing buildings, cater our individual building offerings to local community needs, add and adopt more meaningful technology to improve service, and increase our outreach offerings outside of our buildings.

There are a few events outside of our county that may have a future impact on our Library operations. The upcoming Kentucky general assembly is likely to take up legislation that may affect public libraries governing authority in the selection of Board members, add another layer of complexity in setting the tax rates each year, increase an already sizeable retirement contribution amount due from the Library for all employees working 100 hours or more per month, along with other matters. Changes in the Louisville Metro economy, market volatility of all sorts, the slow rise of wages, and global trade concerns, may have economic impact within Bullitt County. However, continued strong home building permit applications, new businesses moving in, and positive news about new Interstate 65 interchanges, indicate sustained growth for the area.

**BULLITT COUNTY PUBLIC LIBRARY  
GOVERNMENTAL FUNDS BALANCE SHEET  
AND NET POSITION  
June 30, 2019**

	General Fund	Total	Adjustments (Note B)	Statement of Net Position
<b>ASSETS</b>				
Cash	\$ 17,955,216	\$ 17,955,216	\$ -	\$ 17,955,216
Property taxes receivable	12,651	12,651	-	12,651
Prepaid expenses	34,459	34,459	-	34,459
Capital assets, net of accumulated depreciation	-	-	15,307,133	15,307,133
<b>TOTAL ASSETS</b>	<b>18,002,326</b>	<b>18,002,326</b>	<b>15,307,133</b>	<b>33,309,459</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension plans	-	-	1,356,367	1,356,367
Deferred outflows related to other post employment benefits	-	-	451,770	451,770
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>18,002,326</b>	<b>18,002,326</b>	<b>17,115,270</b>	<b>35,117,596</b>
<b>LIABILITIES</b>				
Accounts payable	376,186	376,186	-	376,186
Other current liabilities	136,547	136,547	-	136,547
Accrued compensated absences	-	-	100,899	100,899
Net pension liability	-	-	3,927,577	3,927,577
Net other post employment benefits liability	-	-	1,144,936	1,144,936
Bonds payable	-	-	-	-
Due within one year	-	-	31,000	31,000
Due after one year	-	-	180,000	180,000
<b>TOTAL LIABILITIES</b>	<b>512,733</b>	<b>512,733</b>	<b>5,384,412</b>	<b>5,897,145</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension plans	-	-	287,220	287,220
Deferred inflows related to other post employment benefits	-	-	217,059	217,059
<b>TOTAL DEFERRED INFLOWS OF RESOURCE:</b>	<b>-</b>	<b>-</b>	<b>504,279</b>	<b>504,279</b>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>512,733</b>	<b>512,733</b>	<b>5,888,691</b>	<b>6,401,424</b>
<b>FUND BALANCES/NET POSITION</b>				
Fund balances	-	-	-	-
Restricted	-	-	-	-
Unrestricted	17,489,593	17,489,593	(17,489,593)	-
<b>TOTAL FUND BALANCES</b>	<b>17,489,593</b>	<b>17,489,593</b>	<b>(17,489,593)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,002,326</b>	<b>\$ 18,002,326</b>	<b>\$ -</b>	<b>\$ 6,401,424</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	-	-	15,096,133	15,096,133
Unrestricted	-	-	13,620,039	13,620,039
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>28,716,172</b>	<b>28,716,172</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,610,991</b>	<b>\$ 35,117,596</b>

The accompanying notes are an integral part of this statement

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

**For The Year Ended June 30, 2019**

<b>Fund balances - total governmental funds</b>		<b>\$ 17,489,593</b>
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 funds.		15,307,133
Short-term liabilities are due and payable in the current period and related to debt service.		(31,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(100,899)	
Bonds payable	(180,000)	
Net other post employment benefits liability	(1,144,936)	
Net pension liability	<u>(3,927,577)</u>	(5,353,412)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in the funds.		
Deferred outflows of resources	1,356,367	
Deferred inflows of resources	<u>(287,220)</u>	1,069,147
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reportable in the funds.		
Deferred outflows of resources	451,770	
Deferred inflows of resources	<u>(217,059)</u>	234,711
<b>Total Net Position</b>		<b><u>\$ 28,716,172</u></b>

The accompanying notes are an integral part of this statement



## BULLITT COUNTY PUBLIC LIBRARY

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

For The Year Ended June 30, 2019

	General Fund	Total	Adjustments (Note B)	Statement of Activities
<b>REVENUES</b>				
Property taxes	\$ 7,377,204	\$ 7,377,204	\$ -	\$ 7,377,204
Grant income	54,348	54,348	-	54,348
Gifts and contributions	6,953	6,953	-	6,953
Book rentals and fines	18,308	18,308	-	18,308
Copier and fax income	39,582	39,582	-	39,582
Investment income	72,500	72,500	-	72,500
Rent income	10,955	10,955	-	10,955
Miscellaneous income	1,772	1,772	-	1,772
<b>TOTAL REVENUES</b>	<b>7,581,622</b>	<b>7,581,622</b>	<b>-</b>	<b>7,581,622</b>
<b>EXPENDITURES/EXPENSES</b>				
Personnel	3,306,011	3,306,011	685,758	3,991,769
Library materials	459,461	459,461	(448,813)	10,648
Operating expenditures	924,432	924,432	-	924,432
Depreciation	-	-	945,022	945,022
Capital outlay	2,062,871	2,062,871	(2,062,871)	-
Debt service	39,761	39,761	(39,761)	-
Debt service - interest	-	-	9,761	9,761
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>6,792,536</b>	<b>6,792,536</b>	<b>(910,904)</b>	<b>5,881,632</b>
<b>CHANGE IN FUND BALANCES/ NET POSITION</b>	<b>789,086</b>	<b>789,086</b>	<b>910,904</b>	<b>1,699,990</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE/NET POSITION, BEGINNING</b>	<b>16,700,507</b>	<b>16,700,507</b>	<b>10,315,675</b>	<b>27,016,182</b>
<b>FUND BALANCE/NET POSITION, ENDING</b>	<b>\$ 17,489,593</b>	<b>\$ 17,489,593</b>	<b>\$ 11,226,579</b>	<b>\$ 28,716,172</b>

The accompanying notes are an integral part of this statement

BULLITT 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, 2019

Net change in fund balances - total governmental funds \$ 789,086

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 expense (2,511,684) exceeded capital outlay (\$945,022) in the current period. 1,566,662

Repayment of bond principal (\$30,000) is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. 30,000

Some expenditures reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported in the governmental funds. Those items at year end consist of:

Compensated absences (16,907)

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:

District pension contributions 281,562  
Costs of benefits earned (890,677)  
(609,115)

Governmental funds report Library pension contributions as expenditures. However, in the statements of activities, the cost of other post employment benefits (OPEB) is reported as insurance expense:

District pension contributions 91,308  
Costs of benefits earned (151,044)  
(59,736)

Change in net position \$ 1,699,990

The accompanying notes are an integral part of this statement

**BULLITT COUNTY PUBLIC LIBRARY  
SCHEDULE OF EXPENDITURES**

For The Year Ended June 30, 2019

<b>Personnel</b>	
Librarian and library staff	\$ 2,341,344
Payroll taxes	186,501
Pension expense	387,055
Insurance/other	391,111
	<hr/>
<b>Total Personnel</b>	<b>3,306,011</b>
	<hr/>
<b>Library materials</b>	
Books	333,695
Periodicals	6,106
Audio/visual aids/software	109,012
Library supplies	10,648
	<hr/>
<b>Total Library Materials</b>	<b>459,461</b>
	<hr/>
<b>Operating expenses</b>	
Utilities	99,759
Telephone	58,106
Maintenance	144,870
Software support	284,003
Insurance	45,446
Office supplies	40,624
Travel expense	1,864
Professional fees	64,600
Advertising and promotion	47,781
Program supplies	78,226
Janitorial services and supplies	50
Staff training	34,080
Dues	14,976
Postage	2,701
Equipment/furniture/building	2,650
Miscellaneous expense	4,696
	<hr/>
<b>Total Operating Expenses</b>	<b>924,432</b>
	<hr/>
<b>Capital Outlay</b>	
Construction/capital outlay	1,884,331
Debt service	39,761
Other	178,540
	<hr/>
<b>Total Capital Outlay</b>	<b>2,102,632</b>
	<hr/>
<b>Total Expenses</b>	<b>\$ 6,792,536</b>
	<hr/> <hr/>

The accompanying notes are an integral part of this statement

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

June 30, 2019

**NOTE A - DESCRIPTION OF ORGANIZATION**

The Bullitt County Public Library was established in the early 1950's under the provisions of the Commonwealth of Kentucky to provide library and related services to the citizens of Bullitt County, Kentucky.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*, and Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, which mandate 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 Bullitt 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 assets 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.

**BULLITT COUNTY PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE B - 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.

**BULLITT COUNTY PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE B - 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 position. Net Position invested in capital assets is reduced by the outstanding balances of any borrowing, if any, 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 \$500. 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, 2019, 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 include (1) contributions made to the Library's pension 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

**BULLITT COUNTY PUBLIC LIBRARY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

proportionate share of the Library's contributions to the pension fund, and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes of assumptions in the pension fund, and changes in the proportionate share of the Library's contributions to the pension fund will be recognized over a closed period equal to the average of the expected remaining service 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 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 a 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). There were no deferred inflows resources related to the pension plan recognized 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.

**NOTE C - CASH AND INVESTMENTS**

At June 30, 2019, the carrying amount of the Library's deposits (cash and cash equivalents) was \$17,955,216. Of the bank balance, \$256,875 is covered by federal depository insurance (FDIC) and the remaining 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 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.

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

**June 30, 2019**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 2,987,724	\$ -	\$ -	\$ 2,987,724
Land Improvements	37,176	411,625	-	448,801
Buildings	11,479,551	-	-	11,479,551
Construction in Progress	23,200	1,472,706	-	1,495,906
Vehicles	22,558	-	-	22,558
Collection	3,271,703	448,813	(387,416)	3,333,100
Equipment and Furniture	<u>1,535,490</u>	<u>178,540</u>	<u>-</u>	<u>1,714,030</u>
 Total Cost	 19,357,402	 2,511,684	 (387,416)	 21,481,670
Less:				
Accumulated Depreciation	<u>(5,616,931)</u>	<u>(945,022)</u>	<u>387,416</u>	<u>(6,174,537)</u>
 Net Book Value	 <u>\$ 13,740,471</u>	 <u>\$ 1,566,662</u>	 <u>\$ -</u>	 <u>\$ 15,307,133</u>

**NOTE E – 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 vacations hours, which are vested. Accordingly, the employee can be paid for unused vacation days upon termination.

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 \$100,899 at June 30, 2019.



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

**June 30, 2019**

**NOTE 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 Unreduced Retirement Reduced Retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or At least 25 years service and any age
Tier 2	Participation date Unreduced Retirement  Reduced Retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87  At least 10 years service and 60 years old
Tier 3	Participation date Unreduced Retirement  Reduced Retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87  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.

*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, 2019 was 21.48%, of which 16.22% was for the pension fund and 5.26% was for the insurance fund. Contributions to the pension plan from the District were \$372,870 for the year ended June 30, 2019, of which \$281,562 was for the pension fund and \$91,308 was for the insurance fund.

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE F - EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

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

At June 30, 2019, the District reported a liability of \$3,927,577 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.064489%, which was an increase of 0.008366% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$883,175. At June 30, 2019, 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	\$ 128,107	\$ 57,491
Changes of assumptions	383,838	-
Net difference between projected and actual earnings on plan investments	182,635	229,729
Changes in proportion and differences between District contributions and proportionate share of contributions	380,226	-
District contributions subsequent to the measurement date	281,562	-
	\$ 1,356,368	\$ 287,220

The \$281,562 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:

2020	\$ 505,674
2021	294,655
2022	8,336
2023	(21,080)
2024	-
	\$ 787,585

BULLITT COUNTY PUBLIC LIBRARY  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE F - EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2018 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, 2018 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.

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

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE F - EMPLOYEES' RETIREMENT PLAN (CONTINUED)**

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	<u>100%</u>	

*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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 4,944,412	\$ 3,927,577	\$ 75,647

*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 10<sup>th</sup> of the following month. As of June 30, 2019, \$24,309 was payable to the pension plan for the pension fund and \$7,883 was for the insurance fund.

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 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, 2019 was 21.48%, of which 16.22% was for the pension fund and 5.260% 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, 2019, the District reported a liability of \$1,144,936 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.0064486%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$166,954. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 133,427
Changes of assumptions	228,660	2,645
Net difference between projected and actual earnings on plan investments	-	78,864
Changes in proportion and differences between District contributions and proportionate share of contributions	113,332	2,123
District contributions subsequent to the measurement date	109,778	-
	\$ 451,770	\$ 217,059

The \$109,778 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:	
2020	\$ 24,962
2021	24,962
2022	24,962
2023	40,279
2024	10,889
2025	(1,120)
	\$ 124,934

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 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%

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2019**

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

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
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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:

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

*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:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount Rate (5.84%)</u>	<u>1% Increase (6.84%)</u>
District's proportionate share of the net OPEB liability	\$ 1,487,088	\$ 1,144,936	\$ 853,485

*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:



**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE G – POSTEMPLOYMENT BENEFITS (CONTINUED)**

	1% Decrease	Current Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 852,416	\$ 1,144,936	\$ 1,489,733

*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 10<sup>th</sup> of the following month. As of June 30, 2019, \$7,883 was payable to the pension plan for the OPEB Fund.

**NOTE H – 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 Bullitt County. Property taxes are collected by the Bullitt County Sheriff, the Bullitt 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.

**NOTE I - BONDS PAYABLE**

Bonds Payable at June 30, 2019 consists of a general obligation note issue bearing interest at 4.05%. Interest is paid semi-annually. The Bond was used to conduct a major renovation of the main library in Shepherdsville, Kentucky.

Principal is paid annually with the maturities as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 31,000	\$ 9,173
2021	32,000	7,840
2022	34,000	6,448
2023	35,000	4,952
2024	37,000	2,735
After 2024	42,000	2,388
<b>Total obligations</b>	<b>\$ 211,000</b>	<b>\$ 33,536</b>

**BULLITT COUNTY PUBLIC LIBRARY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

**NOTE J - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Accrued compensated absences	\$ 83,992	\$ 16,907	\$ -	\$ 100,899
Net pension liability	3,285,052	642,525	-	3,927,577
Net OPEB liability	1,128,264	16,672	-	1,144,936
Bonds payable	<u>241,000</u>	<u>-</u>	<u>30,000</u>	<u>211,000</u>
Total long-term obligations	<u>\$ 4,738,308</u>	<u>\$ 676,104</u>	<u>\$ 30,000</u>	<u>\$ 5,384,412</u>

**NOTE K – RISK MANAGEMENT**

The Library is exposed to various forms of losses associated with the risk of fire; personal liability; vehicular accidents; errors and omissions; torts; theft of, damage to, and destruction of assets; injuries to employee; 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 not significant reductions in coverage from the prior year and settlements have not exceeded coverage in that past three years.

**NOTE L – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

The Library has evaluated subsequent events through September 26, 2019, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BULLITT COUNTY PUBLIC LIBRARY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP CASH BASIS) AND ACTUAL - GENERAL FUND**

For The Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 5,400,000	\$ 7,000,000	\$ 7,380,661	\$ 380,661
Governmental grants	40,000	110,000	54,348	(55,652)
Gifts and contributions	9,000	8,000	6,953	(1,047)
Book rentals and fines	22,000	17,000	18,308	1,308
Copier and fax income	35,000	36,000	39,582	3,582
Investment income	55,000	65,000	72,500	7,500
Rent income	-	-	10,955	10,955
Miscellaneous income	15,000	12,000	1,772	(10,228)
<b>TOTAL REVENUES</b>	<b>5,576,000</b>	<b>7,248,000</b>	<b>7,585,079</b>	<b>337,079</b>
<b>EXPENDITURES</b>				
Personnel	3,566,000	3,573,000	3,301,411	271,589
Library materials	674,000	709,000	456,127	252,873
Operating expenses	944,500	919,500	876,055	43,445
Capital outlay	10,650,000	2,300,000	1,740,913	559,087
Debt service	40,300	40,300	39,761	539
<b>TOTAL EXPENDITURES</b>	<b>15,874,800</b>	<b>7,541,800</b>	<b>6,414,267</b>	<b>1,127,533</b>
<b>CHANGE IN FUND BALANCES</b>	<b>\$ (10,298,800)</b>	<b>\$ (293,800)</b>	<b>\$ 1,170,812</b>	<b>\$ 1,464,612</b>

**BUDGET TO GAAP RECONCILIATION:**

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

	General Fund
Sources/revenues	
Actual amounts (budgetary basis)	\$ 7,585,079
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>(3,457)</u>
Total revenues as reported on the governmental fund statement of revenues, expenditures, and changes in fund balances.	<u>\$ 7,581,622</u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 6,414,267
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>378,269</u>
Total expenditures as reported on the governmental fund statement of revenues, expenditures, and changes in fund balance.	<u>\$ 6,792,536</u>

The accompanying notes are an integral part of this statement

BULLITT COUNTY PUBLIC LIBRARY

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

County Employees Retirement System

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.064489%	0.056123%	0.052889%	0.045774%	0.042190%					
District's proportionate share of the net pension liability (asset)	\$ 3,927,577	\$ 3,285,052	\$ 2,604,060	\$ 1,968,052	\$ 1,368,808					
District's covered-employee payroll	\$ 1,600,904	\$ 1,366,451	\$ 1,253,993	\$ 1,052,406	\$ 967,910					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.33%	240.41%	207.66%	187.01%	141.42%					
Plan fiduciary net position as a percentage of the total pension liability	53.54%	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.

BULLITT COUNTY PUBLIC LIBRARY

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 281,562	\$ 238,942	\$ 194,615	\$ 155,746	\$ 134,182	\$ 132,991				
Contributions in relation to the contractually required contribution	\$ (281,562)	\$ (238,942)	\$ (194,615)	\$ (155,746)	\$ (134,182)	\$ (132,991)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
District's covered-employee payroll	\$ 1,671,725	\$ 1,600,904	\$ 1,366,451	\$ 1,253,993	\$ 1,052,406	\$ 967,910				
Contributions as a percentage of covered-employee payroll	16.84%	14.93%	14.24%	12.40%	12.75%	13.74%				

**BULLITT COUNTY PUBLIC LIBRARY**

**NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION**

**June 30, 2019**

*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.

2018

- 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, 2018. 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



**BULLITT COUNTY PUBLIC LIBRARY**

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

**County Employees Retirement System**

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net OPEB liability (asset)	0.064486%	0.056123%								
District's proportionate share of the net OPEB liability (asset)	\$ 1,144,936	\$ 1,128,264								
District's covered-employee payroll	\$ 1,600,904	\$ 1,366,451								
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	71.52%	82.57%								
Plan fiduciary net position as a percentage of the total pension liability	57.62%	52.39%								

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

**BULLITT COUNTY PUBLIC LIBRARY  
SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS**

**County Employees Retirement System**

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 91,308	\$ 77,557	\$ 220,931							
Contributions in relation to the contractually required contribution	\$ (91,308)	\$ (77,557)	\$ (220,931)							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
District's covered-employee payroll	\$ 1,671,725	\$ 1,600,904	\$ 1,366,451							
Contributions as a percentage of covered-employee payroll	5.46%	4.84%	16.15%							

**BULLITT COUNTY PUBLIC LIBRARY**

**NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION**

**June 30, 2019**

*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:

2018

- 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, 2018. 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**

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

**ADKISSON & COMPANY, PSC**  
Certified Public Accountants

12730 Townepark Way, Suite 103  
Louisville, Kentucky 40243

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

To the Board of Directors  
Bullitt County Public Library  
Shepherdsville, Kentucky

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullitt County Public Library as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Bullitt County Public Library, Kentucky's basic financial statements and have issued our report thereon dated September 26, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bullitt 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 Bullitt County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bullitt 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  
Bullitt County Public Library  
Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bullitt 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 communication is not suitable for any other purpose.

*Adkisson & Company, PSC*

Certified Public Accountants  
Louisville, Kentucky

September 26, 2019