

MCCRACKEN COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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McCRACKEN COUNTY PUBLIC LIBRARY

| <u>Members of the Board of Trustees</u> | <u>Term Began</u> | <u>Term Expires</u> |
|---|-------------------|---------------------|
| Ms. Janice Crosno, Secretary | June 30, 2014 | June 30, 2022 |
| Ms. Melony Smith, Treasurer | June 30, 2015 | June 30, 2023 |
| Ms. Rachel Norton, President | June 30, 2016 | June 30, 2024 |
| Ms. Crystal Rothrock, Vice President | June 30, 2018 | June 30, 2022 |
| Mr. Roy Hensel | June 30, 2019 | June 30, 2023 |

BASIC FINANCIAL STATEMENTS



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

Independent Auditor's Report

Board of Trustees
McCracken County Public Library
Paducah, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McCracken County Public Library, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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, each major fund, and the aggregate remaining fund information of the McCracken County Public Library as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 25-27, and the schedules of employer's proportionate share of net pension and postemployment benefits other than pension, liability and contributions on pages 28-31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of McCracken County Public Library's internal control over financial reporting and 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 the effectiveness of McCracken County Public Library's 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 McCracken County Public Library's internal control over financial reporting and compliance.

Williams Williams & Lentz, LLP

Paducah, Kentucky
October 11, 2021

McCRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS AND RESOURCES

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Cash | \$ 15,777 |
| Accounts receivable (net): | |
| Taxes | 3,559,061 |
| Fines | 20,794 |
| Interest | 11,477 |
| Other | 10,290 |
| Investments available-for-sale | 5,254,106 |
| Prepaid expenses | - |
| Restricted investments | 127,453 |
| Depreciated capital assets (net): | |
| Building and improvements | 1,518,754 |
| Furniture and equipment | 176,829 |
| Print and non-print collections | 650,296 |
| | 11,344,837 |
| Total assets and resources | |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------|
| Deferred pension plan outflows | 352,150 |
| Deferred pension plan contributions | 188,808 |
| Deferred other post-employment benefits plan outflows | 394,023 |
| Deferred other post-employment benefits plan contributions | 46,567 |
| Deferred other post-employment benefits plan contributions - Implicit Subsidy | 24,502 |
| | 1,006,050 |
| Total deferred outflows of resources | |

LIABILITIES

| | |
|---|-----------|
| Accounts payable | 85,586 |
| Accrued payroll and related expenses | 113,588 |
| Net pension liability | 3,172,124 |
| Net other post-employment benefits plan liability | 998,381 |
| | 4,369,679 |
| Total liabilities | |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-----------|
| Unbilled property tax revenue | 3,351,564 |
| Deferred pension plan inflows | 126,018 |
| Deferred other post-employment benefits plan inflows | 239,110 |
| | 3,716,692 |
| Total deferred inflows of resources | |

NET POSITION

| | |
|---------------------------------------|--------------|
| Net investment in capital assets | 2,345,879 |
| Restricted for collection development | 127,453 |
| Unrestricted | 1,791,184 |
| | 4,264,516 |
| TOTAL NET POSITION | \$ 4,264,516 |

See notes to financial statements.

McCRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| <u>FUNCTIONS/PROGRAMS</u> | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|------------------------------------|-------------------------|---|--|
| Governmental Activities: | Expenses | Operating Charges for Services | Grants and Contributions |
| Governmental Activities: | Expenses | Operating Charges for Services | Grants and Contributions |
| General government | \$3,760,919 | \$ 27,045 | \$ 39,586 |
| General government | \$3,760,919 | \$ 27,045 | \$ 39,586 |
| TOTALS | \$3,760,919 | \$ 27,045 | \$ 39,586 |
| General revenue and receipts: | | | |
| Taxes: | | | |
| McCracken County tax revenue | | | 3,327,717 |
| Delinquent taxes | | | 99,739 |
| Telecommunications tax revenue | | | 13,491 |
| In lieu of tax | | | 75,283 |
| Miscellaneous: | | | |
| Investment income | | | 49,376 |
| Other | | | (9,331) |
| Total general revenue and receipts | | | 3,556,275 |
| Change in net position | | | (138,013) |
| Net position, July 1, 2020 | | | 4,402,529 |
| NET POSITION, JUNE 30, 2021 | | | \$ 4,264,516 |

See notes to financial statements.

McCRACKEN COUNTY PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2021

ASSETS AND RESOURCES

| | Governmental Fund |
|-----------------------------------|------------------------------|
| Cash | \$ 15,777 |
| Accounts receivable (net): | |
| Taxes | 3,416,218 |
| Interest | 11,477 |
| Other | 10,290 |
| Investments available-for-sale | 5,254,106 |
| Prepaid expenses | - |
| Restricted investments | 127,453 |
| TOTAL ASSETS AND RESOURCES | <u>\$ 8,835,321</u> |

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES**

| | |
|--|----------------------------|
| Liabilities: | |
| Accounts payable | \$ 85,586 |
| Accrued payroll and related expense | 113,588 |
| Total liabilities | <u>199,174</u> |
| Deferred Inflows of Resources: | |
| Unbilled property tax revenues | 3,351,564 |
| Total deferred inflows of resources | <u>3,351,564</u> |
| Fund Balances: | |
| Restricted | 127,453 |
| Assigned | 750,000 |
| Unassigned | 4,407,130 |
| Total fund balances | <u>5,284,583</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 8,835,321</u> |

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

| | |
|---|----------------------------|
| Total fund balances - governmental fund | \$ 5,284,583 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$8,885,239 and the accumulated depreciation is \$6,539,360. | 2,345,879 |
| Delinquent taxes receivable are not available for use under the modified accrual basis of accounting as reported in the governmental funds. | 142,843 |
| Fines receivable are not available for use under the modified accrual basis of accounting as reported in the governmental funds. | 20,794 |
| Deferred pension plan contributions are payments made to the plan after the measurement date which are reported as expenditures of current financial resources under the modified accrual basis of accounting as reported in governmental funds. | 259,877 |
| Net pension liability is not a current financial liability to be paid with current financial resources, and is, therefore, not reported as a liability in the governmental funds. | (4,170,505) |
| Deferred pension plan outflows net of deferred pension plan inflows represent the difference between projected and actual pension investment income, changes in actuarial assumptions, and experience rates that are to be amortized over time, and are not a current financial liability to be paid with current financial resources under the modified accrual basis of accounting as reported in governmental funds. | <u>381,045</u> |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ 4,264,516</u> |

See notes to financial statements.

McCRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Governmental Fund |
|--|------------------------------|
| Revenues: | |
| Tax revenue | \$ 3,510,173 |
| Intergovernmental | 31,597 |
| Fees and fines | 6,251 |
| Donations | 7,989 |
| Miscellaneous revenues | <u>53,032</u> |
| Total revenues | 3,609,042 |
| Expenditures: | |
| Current: | |
| General government | <u>3,960,539</u> |
| Net change in fund balances | (351,497) |
| Fund balances, July 1, 2020 | <u>5,636,080</u> |
| FUND BALANCES, JUNE 30, 2021 | <u>\$ 5,284,583</u> |
| Net change in fund balance | \$ (351,497) |
| Governmental funds report capital outlays 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 of capital outlays in the current period. | 1,058,461 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. | (565,174) |
| Governmental funds report income related to capital asset disposals based on cash received. However, in the Statement of Activities, gains and losses related to the disposal of capital assets are recognized based on the net book value of the asset at the time of disposal and any cash received. | (12,987) |
| Governmental funds report revenues when collected or collectible. However, in the Statement of Activities, the revenues are reported when the service is provided or the tax has been levied. | 26,850 |
| Governmental funds report pension plan expenditures when paid. However, in the Statement of Activities, the associated pension costs are reported when due and payable in accordance with benefit terms. | <u>(293,666)</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (138,013)</u> |

See notes to financial statements.

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies:

The McCracken County Library Taxing District, hereafter referred to as the McCracken County Public Library, was established on June 28, 1999, by Ordinance 99-3 and amended under Ordinance 99-3.1 of the McCracken County Fiscal Court. The Ordinance provides for a special ad valorem tax district to provide sufficient funding for an independent county library whose purpose is to provide proper library services for all residents of McCracken County.

The McCracken County Public Library's financial statements include the accounts of all library operations. The accounting policies of the Library conform to generally accepted accounting principles. The following is a summary of such significant policies.

1A. Reporting Entity

The financial statements of the Library consist only of the funds of the Library. The Library has no oversight responsibility for any other entity since no other entities are considered to be controlled by or dependent upon the Library. Control or dependence is determined upon the basis of budget adoption, funding, and appointment of the respective governing board.

1B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They detail the governmental activities of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity details the activity of the governmental fund. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditure/expenses. The Library has only one fund, the General Fund.

The General Fund is the general operating fund of the Library.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

The fund financial statements are presented using the current financial resources measurement focus as defined in item a. below.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

1C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The “economic resources” measurement focus accounting objectives are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows, liabilities and deferred inflows of resources (whether current or non-current) associated with their activities are reported.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using 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 the economic asset is used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources 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. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1D. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 11, 2021 the date financial statements were available to be issued.

1E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash” includes all demand and savings accounts and cash on hand of the Library.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B, 3A, 3B, and 3C.

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

1E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Receivables

Government-wide Statement

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property taxes.

Fund Financial Statements

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statement

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

The capitalization policy of the Library defines capital assets as property with a cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---------------------------------|------------|
| Buildings and improvements | 5-50 years |
| Furniture and equipment | 5-10 years |
| Print and non-print collections | 3 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows and Deferred Inflows

Deferred outflow of resources represents a consumption of net position by the Library that is applicable to a future reporting period and will not be recognized as an outflow of resources (expenditure/expense) until that time. Deferred inflow of resources represents an acquisition of net position by the Library that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

1E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Deferred Outflows and Deferred Inflows (Continued)

Accordingly, *unbilled tax revenue* is reported in both the government-wide statement of net position and the governmental fund balance sheet. The Library also reports deferred inflows and outflows of resources with respect to their participation in the County Employee Retirement System as discussed further in notes 1H and 4.

Compensated Absences

The Library's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Accumulated vacation leave must be used within twelve months of accrual; however, an employee may carry over one-half their total accrued vacation time. If carried over vacation time is not used, it will be lost and not be paid out upon termination of employment. Accumulated sick leave is not paid to the employee upon termination of employment. Based on these policies, the Library only accrues a liability for accrued vacation time, which is recorded as a current liability in the government-wide statements and the fund financial statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted - Are those equities that have externally imposed constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments.
- c. Unrestricted - All other equity that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements

Governmental fund equity is classified as fund balance and displayed in five components:

- a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely. The Library does not have a nonspendable fund balance at June 30, 2021.
- b. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by creditors, grantors, contributors, or laws or regulations of other governments.
- c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the Board of Trustees through approval of resolutions. Commitments may be changed or lifted only by the Board of Trustees making the same formal action that imposed the constraint originally.
- d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the Board of Trustees or the Library director. No formal action is required.
- e. Unassigned fund balance is the residual balance not contained in "nonspendable fund balance" or "restricted fund balance" or "committed fund balance" or "assigned fund balance".

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

1E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Equity Classifications (Continued)

When both restricted and unrestricted fund balances are available for use, it is the Library's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

1F. Revenues, Expenditures, and Expenses

General Fund Revenues

The Library's primary revenues are property taxes, fees, and intergovernmental payments.

The McCracken County Clerk bills and the Sheriff collects property taxes for the Library. The taxes are remitted to the Library by the Sheriff's office. Library property tax revenues are recorded as a receivable when assessed because the Library has an enforceable legal claim to the resources. At this time, the receivable is offset by deferred inflow of resources. Property tax revenues are recognized during the period for which they are levied.

The due dates and collection period for all property taxes for the year ended June 30, 2021, are as follows:

| Description | Date |
|---------------------------------|-------------------|
| Assessment and enforceable lien | January 1, 2021 |
| Levy | October 1, 2021 |
| Face value amount payment dates | December 31, 2021 |
| Delinquent date | January 1, 2022 |

The amount of unbilled property taxes, with an assessment date of January 1, 2021, recorded as taxes receivable in the amount of \$3,351,564 for the year ended June 30, 2021, was based on the legally adopted tax rates for the Library and the equalized assessment of property values as reported on July 27, 2021, by the Office of Property Valuation for the State of Kentucky.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are all governmental fund expenditures and current.

In the fund financial statements, governmental funds report expenditures of financial resources.

1G. Legal Compliance - Budget

The budget is adopted on the modified accrual basis of accounting and laws of Kentucky as required by the Department for Local Governments (DLG). The Library is required to submit estimated revenues and proposed expenditures to DLG by July 15th of the budget year. The budget is required to be adopted by the Library no later than June 30th of the preceding year. Any amendments to the budget must be approved by the governing body (the Library's Board) and may not create an unbalanced budget. All budget amendments must be submitted to DLG.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (Continued):

1H. Pensions and Postemployment Benefits Other Than Pension

For purposes of measuring the net pension liability, the net Postemployment Benefits Other Than Pensions (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from the plans' fiduciary net position has been determined on the same basis as they are reported by the plans. 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 - Stewardship, Compliance, and Accountability:

By its nature as a local government unit, the Library is subject to various federal, state, and local laws and contractual regulations. An analysis of the Library's compliance with significant laws and regulations and demonstration of its stewardship over Library resources follows:

2A. Fund Accounting Requirements

The Library complies with all state and local laws and regulations requiring the use of separate funds.

2B. Deposits and Investments Laws and Regulations

The Library maintains its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Under the provisions of Kentucky Revised Statutes (KRS) 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest bearing and non-interest bearing deposits if either exceeds the amount of insurance coverage provided by the FDIC. Acceptable collateral includes certain U.S. Government Agency securities, certain Commonwealth of Kentucky or political subdivision debt obligations, or surety bonds.

Investments of the Library are limited to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged.
- b. Certificates of deposit or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky that are either insured or secured with acceptable collateral.
- c. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- d. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated one (1) of the three (3) highest categories by a competent recognized rating agency.
- e. Shares of mutual funds, exchange traded funds, and individual equity securities and individual high-quality corporate bonds as defined by KRS 66.480.

Note 3 - Detail Notes on Transaction Classes/Accounts:

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, and expenditures/expenses.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued):

3A. Deposits

Deposits, including certificates of deposit, are reported at carrying amount, which approximates fair value.

At year end, the carrying amounts of the Library's deposits were \$3,059,181 and the bank balances were \$3,104,970. As of June 30, 2021, \$2,254,415 of the Library's bank balances were covered by FDIC insurance, and the remaining balance of \$850,555 was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. Of the remaining balance, \$850,555 was uninsured and collateralized with securities held by the pledging bank's agent not in the Library's name.

3B. Investments

Securities held-to-maturity are those debt securities which management has the intent and ability to hold to maturity and are carried at cost adjusted for amortization of premiums and accretion of discounts, computed by the interest method. Securities available-for-sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, liquidity needs, or other risk related issues. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in fund balance. Trading securities are bought and held principally with the intention of selling them in the near term. Realized and unrealized gains and losses on trading securities are included in net income. The Library invests in government securities as allowed by Kentucky Revised Statutes. The Library has no held-to-maturity or trading securities.

Securities available-for-sale at June 30, 2021, are as follows:

| | <u>Amortized Costs</u> | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Fair Value</u> |
|---|----------------------------|-----------------------------|------------------------------|---------------------------|
| Federated government obligations | \$ 2,738 | \$ - | \$ - | \$ 2,738 |
| Obligations of U.S. Treasury | 2,323,171 | 11,621 | - | 2,334,792 |
| Certificates of deposit (included in Library deposits, note 3A) | <u>3,046,278</u> | <u>-</u> | <u>2,249</u> | <u>3,044,029</u> |
| TOTAL INVESTMENTS | <u>\$5,372,187</u> | <u>\$11,621</u> | <u>\$2,249</u> | <u>\$5,381,559</u> |

Unrealized gains and losses are included in investment income on the face of the financial statements. Fair Value represents quoted market prices in active markets.

3C. Cash on Hand

The Library's cash on hand at June 30, 2021, was \$625.

3D. Accounts Receivable

Accounts receivable of the governmental activities consists of property tax, fines, and earned interest income. Receivables detail at June 30, 2021, is as follows:

| | |
|---------------------------------|------------------------------------|
| Accounts receivable | <u>Governmental Activities</u> |
| Allowance for doubtful accounts | \$3,696,712 |
| | <u>(95,090)</u> |
| NET ACCOUNTS RECEIVABLE | <u>\$3,601,622</u> |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued):

3E. Capital Assets

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

| | <u>June 30,</u> <u>2020</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30,</u> <u>2021</u> |
|--------------------------------|--------------------------------|-------------------|--------------------|--------------------------------|
| Building | \$ 314,000 | \$ - | \$ - | \$ 314,000 |
| Building improvements | 2,396,090 | 694,416 | 203,187 | 2,887,319 |
| Furniture and equipment: | | | | |
| Office furniture | 59,912 | - | - | 59,912 |
| Public furniture | 635,155 | - | 9,680 | 625,475 |
| Office equipment | 243,369 | 5,743 | 1,196 | 247,916 |
| Public equipment | 156,358 | 56,543 | - | 212,901 |
| Print and non-print collection | <u>4,482,523</u> | <u>301,758</u> | <u>246,565</u> | <u>4,537,716</u> |
| Total historical cost | <u>8,287,407</u> | <u>1,058,460</u> | <u>460,628</u> | <u>8,885,239</u> |
| Less accumulated depreciation: | | | | |
| Building | 314,000 | - | - | 314,000 |
| Building improvements | 1,459,741 | 99,024 | 190,200 | 1,368,565 |
| Furniture and equipment: | | | | |
| Office furniture | 58,673 | 153 | - | 58,826 |
| Public furniture | 594,773 | 5,375 | 9,680 | 590,468 |
| Office equipment | 157,120 | 27,253 | 1,196 | 183,177 |
| Public equipment | 119,029 | 17,875 | - | 136,904 |
| Print and non-print collection | <u>3,718,491</u> | <u>415,494</u> | <u>246,565</u> | <u>3,887,420</u> |
| Total accumulated depreciation | <u>6,421,827</u> | <u>565,174</u> | <u>447,641</u> | <u>6,539,360</u> |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u>\$1,865,580</u> | <u>\$ 493,286</u> | <u>\$ 12,987</u> | <u>\$2,345,879</u> |

Depreciation expense for the year ended June 30, 2021, was \$565,174.

Loss on disposal of capital assets for the year ended June 30, 2021, was \$12,987.

3F. Restricted Net position

In April of 2008, the Library received a bequest from the estate of a deceased patron of the Library in the amount of \$120,694. The bequest requires the Library to invest the money in an interest bearing account with Regions Bank, and during the first fifteen years of the investment, the Library is only entitled to spend the amounts representing interest earned on the account. Following the expiration of the fifteen year holding requirement, the Library is permitted to spend up to \$10,000 a year plus interest earned for the following five years. After the twentieth year from the date of the investment, the Library may withdraw the remaining account balance. All expenditures of the investment and its earnings shall be restricted for collection development. The appreciated balance of this investment, \$127,453, was reported as restricted for collection purposes as of June 30, 2021.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 3 - Detail Notes on Transaction Classes/Accounts (Continued):

3G. Fund Balance

Fund balance classifications by specific purpose for the year ended June 30, 2021, are as follows:

| <u>Classification</u> | <u>Purpose</u> | <u>Amount</u> |
|-----------------------|------------------------|------------------|
| Restricted | Collection development | <u>\$127,415</u> |
| Assigned | Furniture and fixtures | 75,000 |
| | Maintenance reserve: | |
| | Carpet replacement | 150,000 |
| | Meeting room upgrades | 100,000 |
| | Lighting replacement | 100,000 |
| | Parking lot | 200,000 |
| | Exterior maintenance | <u>125,000</u> |
| | | <u>\$750,000</u> |

Note 4 - Employee Benefits:

County Employees' Retirement System Pension and Insurance Funds

Plan Descriptions and benefits provided. Employees of McCracken County Public Library participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer, defined benefit pension plan, which is administered by the Kentucky Retirement Systems (KRS). The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any other eligible local agencies electing to participate. The Library does not have any employees participating in hazardous duty positions. CERS provides for retirement, disability and death benefits to plan members as well as disability to members other than those in the third tier. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Section 61.645, the Board of Trustees of Kentucky Retirement Systems provides for the establishment of the system, and benefit amendments are authorized by the State legislature.

The CERS also provides other post-employment benefits through the Kentucky Retirement Systems Insurance Fund (insurance fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Retirement Systems. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the insurance fund is contained in the financial statements of the Kentucky Retirement Systems.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Pension and Insurance Funds (Continued)

The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing or calling the plan:

Kentucky Retirement Systems
 Perimeter Park West
 1260 Louisville Road
 Frankfort, KY 40601-6124
 (502) 564-4646.

Funding policy. Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5.00% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 are required to contribute an additional 1.00% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rate for non-hazardous plan members was 24.06% for the year ended June 30, 2021. The required contribution rate for fiscal year ended June 30, 2020 was 24.06%. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For fiscal year ended June 30, 2021, the pension plan portion was 19.30% and the Insurance Fund portion was 4.76%. The percentages were 19.30% and 4.76% for fiscal year ended June 30, 2020. The pension contributions for fiscal years ended June 30, 2021 and 2020 were \$188,807 and \$204,459, respectively. The insurance contributions (excluding the implicit subsidy) for fiscal years ended June 30, 2021 and 2020 were \$46,566 and \$50,426, respectively. The actuarially determined contribution requirements of plan members and the Library are established and may be amended by the KRS Board of Trustees.

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 of \$3,172,124 for its proportionate share of the net pension liability. The June 30, 2021 total pension liability was rolled-forward from the actuarial valuation date of June 30, 2019 to the plan's fiscal year ending, June 30, 2020, using generally accepted actuarial principles. The Library's proportion of the net pension liability was based on a projection of the Library's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2021, the Library's proportion was 0.041358%.

As a result of its requirement to contribute to CERS, the Library recognized pension expense of \$437,332 for the year ended June 30, 2021. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

| | Deferred Outflows of Resources | Deferred Inflows of Resource |
|--|---|---|
| Net differences between projected and actual earnings on plan investments | \$ 137,501 | \$ 58,123 |
| Difference between expected and actual experience | 79,103 | - |
| Changes of assumptions | 123,866 | - |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 11,680 | 67,895 |
| Contributions subsequent to the measurement date | 188,807 | - |
| TOTALS | \$ 540,957 | \$ 126,018 |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Pension and Insurance Funds (Continued)

Deferred outflows of resources in the amount of \$188,807 related to pension contributions made 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 of resources related to pensions will be recognized in pension expense as follows:

| Year Ended | |
|-----------------------|----------|
| <u>June 30</u> | |
| 2022 | \$82,121 |
| 2023 | 72,963 |
| 2024 | 39,167 |
| 2025 | 31,881 |

The net pension liability as of June 30, 2021, is based on the June 30, 2019, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2020 using generally accepted actuarial principles. Deferred outflows and inflows related to the net difference between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (3.14 years and 3.40 years for June 30, 2020 and June 30, 2019, respectively).

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2020, was based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. Subsequent to the actuarial valuation date (June 30, 2019), but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2020 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

| | |
|--|------------------------------------|
| Inflation | 2.30% |
| Salary increases | 3.30% to 10.30%, varies by service |
| Investment rate of return, net of pension plan investment expense, including inflation | 6.25% |
| Payroll growth rate | 2.00% |

Mortality - The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a four-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.

Senate Bill 249 changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Pension and Insurance Funds (Continued)

Additionally, House Bill 271 removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not elect the in line of duty or duty-related benefit. This did not have a material (or measurable) impact on the liability of the plans and therefore, the total pension liability was not adjusted to reflect this legislation.

The long-term expected rate of return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rate 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. For the June 30, 2020 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| US Equity | 18.75% | 4.50% |
| Non-US Equity | 18.75% | 5.25% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Core Bonds | 13.50% | -0.25% |
| Cash Equivalent | 1.00% | -0.75% |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | <u>15.00%</u> | 3.95% |
| Total | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over a 30-year (closed) amortization period of the unfunded actuarial accrued liability. The projection of cash flows includes an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249. This includes the phase-in provisions from House Bill 362 as well as the provisions which kept contributions level from fiscal year ending 2021. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the closed payroll for existing members.

Sensitivity of the Library's proportionate share of the net pension liability to changes in the discount rate. The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Library'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:

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB)

| | 1% Decrease 5.25% | Current Discount 6.25% | 1% Increase 7.25% |
|--|----------------------------------|---------------------------------------|----------------------------------|
| McCracken County Public Library's proportionate share of the net pension liability | \$3,911,920 | \$3,172,124 | \$2,559,546 |

Payables to the pension plan. At June 30, 2021, the financial statements include no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net pension liability.

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 of \$998,381 for its proportionate share of the net OPEB liability. The net OPEB liability at June 30, 2021 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 June 30, 2019. For the June 30, 2021 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2019 to the plan's fiscal year ending June 30, 2020 using generally accepted actuarial principles. The Library's proportion of the net OPEB liability was based on a projection of their share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2021, the Library's proportion was 0.041346%.

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the Library recognized OPEB expenses of \$122,108 for the year ended June 30, 2021. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Net differences between projected and actual earnings on OPEB plan investments | \$ 53,556 | \$ 20,372 |
| Difference between expected and actual experience | 166,808 | 166,939 |
| Changes of assumptions | 173,659 | 1,056 |
| Change in proportion and differences between employer contributions and proportionate share of contributions | - | 50,743 |
| Contributions subsequent to the measurement date | 71,068 | - |
| TOTALS | \$465,091 | \$239,110 |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB)

Deferred outflows of resources related to OPEB, in the amount of \$71,068 related to OPEB resulting from the Library's contributions subsequent to the measurement date and before the end of the fiscal year 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 of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended | |
|-------------------|-----------|
| June 30 | |
| 2022 | \$ 41,620 |
| 2023 | 51,441 |
| 2024 | 32,657 |
| 2025 | 33,782 |
| 2026 | (4,587) |

The net OPEB liability as of June 30, 2021, is based on the June 30, 2019, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2020 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (4.94 years and 6.27 years for year ends June 30, 2020 and June 30, 2019, respectively).

Actuarial assumptions. The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2020 was based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. Subsequent to the actuarial valuation date (June 30, 2019), but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2020 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

| | |
|---|------------------------------------|
| Inflation | 2.30% |
| Salary increases, average, including inflation | 3.30% to 10.30%, varies by service |
| Investment rate of return, net of OPEB plan investment expense, including inflation | 6.25% |
| Payroll growth rate | 2.00% |
| Municipal bond index rate | |
| Prior measurement date | 3.13% |
| Measurement date | 2.45% |
| Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation | |
| Prior measurement date | 5.68% |
| Measurement date | 5.34% |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

Healthcare cost trend rates - Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Pre-65). Initial trend rate starting at 2.90% at January 1, 2022, increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Post-65).

The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a four-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.

Senate Bill 249 changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The long-term expected rate of return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rate 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. For the June 30, 2020 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| US Equity | 18.75% | 4.50% |
| Non-US Equity | 18.75% | 5.25% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Core Bonds | 13.50% | -0.25% |
| Cash Equivalent | 1.00% | -0.75% |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | <u>15.00%</u> | 3.95% |
| Total | <u>100.00%</u> | |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Employee Benefits (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 5.34% at June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over a 30-year (closed) amortization period of the unfunded actuarial accrued liability. The projection of cash flows includes an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249. This includes the phase-in provisions from House Bill 362 as well as the provisions which kept contributions level from fiscal year ending 2021. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system; as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 75, the single equivalent interest rate of 5.34% is based on the expected rate of return at the measurement date of 6.25% and was calculated using the Municipal Bond Index Rate as of the measurement date of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the Library's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Library's proportionate share of the net OPEB liability calculated using the discount rate of 5.34%, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current discount rate:

| | 1% Decrease | Current Discount | 1% Increase |
|---|------------------------|-----------------------------|------------------------|
| | 4.34% | 5.34% | 6.34% |
| McCracken County Public Library's proportionate share of the net OPEB liability | \$1,282,625 | \$998,380 | \$764,920 |

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|------------------------|-------------------------------|------------------------|
| McCracken County Public Library's proportionate share of the net OPEB liability | \$772,996 | \$998,380 | \$1,271,889 |

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

Payables to the OPEB plan. At June 30, 2021, the financial statements included no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net OPEB liability.

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

Note 5 - Other Notes:

5A. Insurance and Related Activities

McCracken County Public Library is exposed to various forms of loss of assets associated with the risks of personal liability, theft, errors and omissions, fiduciary responsibility, etc.

Each of these risk areas is covered through the purchase of commercial insurance. The Library has purchased certain policies which are retrospectively rated and which includes workmen's compensation insurance and a treasurer's bond.

5B. Use of Estimates

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

REQUIRED SUPPLEMENTARY INFORMATION

McCRACKEN COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| McCracken County tax revenue | \$3,127,563 | \$3,462,283 | \$3,416,491 | \$ (45,792) |
| Delinquent taxes | - | - | 93,682 | 93,682 |
| Total taxes | <u>3,127,563</u> | <u>3,462,283</u> | <u>3,510,173</u> | <u>47,890</u> |
| Intergovernmental: | | | | |
| State aid | - | - | - | - |
| Total intergovernmental | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Charges for services: | | | | |
| Fines and replacements | 5,000 | 6,000 | 6,251 | 251 |
| Total charges for services | <u>5,000</u> | <u>6,000</u> | <u>6,251</u> | <u>251</u> |
| Miscellaneous: | | | | |
| Investment income | 61,000 | 61,000 | 49,376 | (11,624) |
| Donations | 12,500 | 6,500 | 7,989 | 1,489 |
| Other | 18,300 | 35,142 | 35,253 | 111 |
| Total miscellaneous | <u>91,800</u> | <u>102,642</u> | <u>92,618</u> | <u>(10,024)</u> |
| Total revenues | <u>3,224,363</u> | <u>3,570,925</u> | <u>3,609,042</u> | <u>38,117</u> |
| Expenditures: | | | | |
| Personnel: | | | | |
| Salaries | 1,404,292 | 1,350,000 | 1,284,055 | (65,945) |
| Payroll expenses | 107,428 | 91,000 | 87,979 | (3,021) |
| Employees' retirement | 251,846 | 254,000 | 235,882 | (18,118) |
| Employees' insurance | 240,660 | 200,000 | 214,489 | 14,489 |
| Workmen's compensation insurance | 6,350 | 3,034 | 3,034 | - |
| Other | 28,700 | 27,400 | 26,348 | (1,052) |
| Total personnel | <u>2,039,276</u> | <u>1,925,434</u> | <u>1,851,787</u> | <u>(73,647)</u> |
| Collection development: | | | | |
| Books | 202,000 | 200,000 | 194,413 | (5,587) |
| Periodicals | 12,750 | 1,000 | 924 | (76) |
| Electronic subscriptions | 350,332 | 300,000 | 298,593 | (1,407) |
| CD/DVD | 141,492 | 100,000 | 96,977 | (3,023) |
| Digitization | 10,000 | 10,368 | 10,368 | - |
| Total collection development | <u>716,574</u> | <u>611,368</u> | <u>601,275</u> | <u>(10,093)</u> |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| Expenditures: | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|----------------|-------------------|---|
| | Original | Final | | |
| General operations: | | | | |
| Telephone | \$ 29,600 | \$ 22,000 | \$ 22,433 | \$ 433 |
| Supplies | 56,575 | 48,500 | 44,617 | (3,883) |
| Postage | 18,000 | 9,500 | 9,734 | 234 |
| Insurance - property and liability | 27,500 | 25,564 | 25,564 | - |
| Trust fees | 20,000 | 21,000 | 21,511 | 511 |
| Audit and consulting | 13,750 | 11,481 | 11,481 | - |
| Total general operations | <u>165,425</u> | <u>138,045</u> | <u>135,340</u> | <u>(2,705)</u> |
| Technologies: | | | | |
| Maintenance fees | 40,000 | 28,500 | 26,317 | (2,183) |
| Software | 23,075 | 15,000 | 14,588 | (412) |
| Cataloging/ILS | 101,825 | 106,500 | 104,515 | (1,985) |
| Equipment, repairs, and replacements | 38,000 | 30,000 | 25,906 | (4,094) |
| Total technologies | <u>202,900</u> | <u>180,000</u> | <u>171,326</u> | <u>(8,674)</u> |
| Programming: | | | | |
| Adult services | 11,550 | 6,500 | 4,712 | (1,788) |
| Youth services | 18,300 | 12,500 | 12,560 | 60 |
| Sprocket | 20,000 | 200,000 | 200,000 | - |
| Supplies | 14,650 | 3,500 | 3,316 | (184) |
| Total programming | <u>64,500</u> | <u>222,500</u> | <u>220,588</u> | <u>(1,912)</u> |
| Building maintenance: | | | | |
| Repairs | 30,000 | 22,000 | 21,040 | (960) |
| Utilities | 76,500 | 62,000 | 61,400 | (600) |
| Janitorial supplies | 16,200 | 11,000 | 11,107 | 107 |
| Contract labor - maintenance | 90,000 | 80,000 | 85,776 | 5,776 |
| Total building maintenance | <u>212,700</u> | <u>175,000</u> | <u>179,323</u> | <u>4,323</u> |
| Community engagements and fundraising: | | | | |
| Marketing | 30,000 | 17,500 | 16,376 | (1,124) |
| Events and friends recognition | 1,000 | - | - | - |
| Bookmobile | 65,000 | 61,000 | 60,623 | (377) |
| Book return service | 16,425 | 14,160 | 14,160 | - |
| Total community engagements and fundraising | <u>112,425</u> | <u>92,660</u> | <u>91,159</u> | <u>(1,501)</u> |

(Continued)

McCRACKEN COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| Staff development: | | | | |
| Professional membership | \$ 7,450 | \$ 6,000 | \$ 7,334 | \$ 1,334 |
| Continuing education - workshops | 19,000 | 12,000 | 7,991 | (4,009) |
| Total staff development | <u>26,450</u> | <u>18,000</u> | <u>15,325</u> | <u>(2,675)</u> |
| Total expenditures | <u>3,540,250</u> | <u>3,363,007</u> | <u>3,266,123</u> | <u>(96,884)</u> |
| Revenues over expenditures before capital improvements | <u>(315,887)</u> | <u>207,918</u> | <u>342,919</u> | <u>135,001</u> |
| Capital Improvements: | | | | |
| Furniture and equipment | | | - | - |
| Building improvements | 360,000 | 696,317 | 694,416 | (1,901) |
| Total capital improvements | <u>360,000</u> | <u>696,317</u> | <u>694,416</u> | <u>(1,901)</u> |
| REVENUES OVER EXPENDITURES AND CAPITAL IMPROVEMENTS | <u>\$ (675,887)</u> | <u>\$ (488,399)</u> | <u>\$ (351,497)</u> | <u>\$ 136,902</u> |
| Allocation of prior year Fund Balance | \$ 675,887 | \$ 488,399 | \$ 351,497 | NA |

McCRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST SEVEN FISCAL YEARS*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Employer's proportion of the net pension liability (asset) | 0.041358% | 0.041210% | 0.043922% | 0.045421% | 0.044280% | 0.041730% | 0.040511% |
| Employer's proportionate share of the net pension liability (asset) | \$ 3,172,124 | \$ 2,898,318 | \$ 2,674,983 | \$ 2,658,631 | \$ 2,180,037 | \$ 1,794,106 | \$ 1,314,000 |
| Employer's covered payroll | \$ 1,059,371 | \$ 1,038,772 | \$ 1,087,942 | \$ 1,105,899 | \$ 1,056,237 | \$ 973,571 | \$ 929,391 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 299.43% | 279.01% | 245.88% | 206.40% | 206.40% | 184.28% | 141.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2021, is based on the June 30, 2019 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2020 using generally accepted actuarial principles. The financial reporting actuarial following actuarial methods and assumptions, applied to all prior periods included in the measurement valuation used the

| | |
|-----------------------------|--|
| Valuation date: | June 30, 2019 |
| Experience study: | July 1, 2013 - June 30, 2018 for 2020 and 2021; July 1, 2008 - June 30, 2013 for prior years |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Amortization period: | 30 years |
| Asset valuation method: | 20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year |
| Inflation: | 2.30% |
| Payroll growth: | 2.00% |
| Salary increase: | 3.30% to 10.30%, varies by service |
| Investment rate of return: | 6.25%, net of pension plan investment expense, including inflation |
| Mortality: | For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members: PUB-2010 Disabled Mortality Table with a four-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. |
| Changes of plan provisions: | The funding period for amortization of the unfunded liability was changed to 30 years as of the June 30, 2019 valuation. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. |
| Changes of benefit terms: | Reduction in monthly payment to surviving spouses of a member whose death was due to an in-line of duty injury upon remarriage of the surviving spouse. Increased benefits for a very small number of surviving spouses and dependent children who did not elect the in-line of duty or duty-related benefit. |
| Changes of assumptions: | None. |

NOTE: This schedule is based on the last measurement date of the net pension liability.

McCRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST EIGHT FISCAL YEARS*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 188,807 | \$ 204,459 | \$ 168,489 | \$ 157,534 | \$ 154,273 | \$ 131,185 | \$ 124,130 | \$ 127,698 |
| Contributions in relation to the contractually required contribution | <u>188,807</u> | <u>204,459</u> | <u>168,489</u> | <u>157,534</u> | <u>154,273</u> | <u>131,185</u> | <u>124,130</u> | <u>127,698</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Employer's covered payroll | \$ 978,276 | \$ 1,059,371 | \$ 1,038,772 | \$ 1,087,942 | \$ 1,105,899 | \$ 1,056,237 | \$ 973,571 | \$ 929,391 |
| Contributions as a percentage of covered payroll | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% | 13.74% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

McCRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST FOUR FISCAL YEARS*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|
| Employer's proportion of the net OPEB liability (asset) | 0.041346% | 0.041205% | 0.043920% | 0.045421% |
| Employer's proportionate share of the net OPEB liability (asset) | \$ 998,381 | \$ 693,051 | \$ 779,791 | \$ 913,118 |
| Employer's covered-employee payroll | \$ 1,059,371 | \$ 1,038,772 | \$ 1,087,942 | \$ 1,105,899 |
| Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 94.24% | 66.72% | 71.68% | 82.57% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 51.67% | 60.44% | 57.62% | 52.40% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2021, is based on the June 30, 2019 actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2020 using generally accepted actuarial principles. The financial reporting actuarial valuation actuarial methods and assumptions, applied to all prior periods included in the measurement used the following

| | |
|-----------------------------|--|
| Valuation date: | June 30, 2019 |
| Experience study: | July 1, 2013 - June 30, 2018 for 2020 and 2021; July 1, 2008 - June 30, 2013 for prior years |
| Actuarial cost method: | Entry age normal |
| Amortization method: | Level percentage of payroll |
| Amortization period: | 30 years |
| Asset valuation method: | 20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year |
| Inflation: | 2.30% |
| Payroll growth: | 2.00% |
| Salary increase: | 3.30% to 10.30%, varies by service |
| Investment rate of return: | 6.25%, net of OPEB plan investment expense, including inflation |
| Mortality: | For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members: PUB-2010 Disabled Mortality Table with a four-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. |
| Healthcare trend rates: | Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Pre-65). Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Post-65). |
| Changes in plan provisions: | The funding period for amortization of the unfunded liability was changed to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. |
| Changes of benefit terms: | None. |
| Changes of assumptions: | The single discount rate for non-hazardous changed from 5.68% to 5.34%. The municipal bond rate decreased from 3.13% to 2.45%. Actuarial data reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11.00% to reflect the repeal of the Health Insurer Fee. |

NOTE: This schedule is based on the last measurement date of the net OPEB liability.

McCRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST FIVE FISCAL YEARS*

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 46,566 | \$ 50,426 | \$ 54,639 | \$ 51,133 | \$ 52,309 |
| Contributions in relation to the contractually required contribution | <u>46,566</u> | <u>50,426</u> | <u>54,639</u> | <u>51,133</u> | <u>52,309</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Employer's covered-employee payroll | \$ 978,276 | \$ 1,059,371 | \$ 1,038,772 | \$ 1,087,942 | \$ 1,105,899 |
| Contributions as a percentage of covered-employee payroll | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% |

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. Contractually required contributions do not include the expected implicit subsidy included in the calculation of the net OPEB liability.



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

**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***

The Board of Trustees
McCracken County Public Library
Paducah, 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 and the general fund of McCracken County Public Library, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McCracken County Public Library's basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McCracken County Public Library'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McCracken County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of McCracken 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 function, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCracken 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

McCracken County Public Library's Response to Findings

McCracken County Public Library's response to findings identified in our audit is described in the accompanying schedule of findings. McCracken County Public Library's response was not subjected to the auditing procedures applied in the audit of 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.

Williams, Williams & Lutz, LLP

Paducah, Kentucky
October 11, 2021

MCCRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

A. Findings - Basic Financial Statements Audit:

1. Budget - Kentucky Revised Statutes require all Kentucky government agencies to annually adopt a budget. The adopted budget is binding with respect to expenditures, and the government shall not expend from any source except as provided in the originally adopted or subsequently amended budget. It was noted that the McCracken County Public Library's expenditures for certain line items exceeded their budgeted expenditures for the fiscal year ended June 30, 2021.

Management's Response: Future amendments and transfers to the budget will be approved by the Board of Directors, recorded in the minutes, and filed with the Department for Local Governments (DLG) before any expenditures that would exceed the amount budgeted for that category.

2. Payroll Disbursements Before the payroll payment is initiated, a report listing each employee and their net pay is provided to the director for approval. The library personnel was unable to locate the approved reports from July to December 2020.

Management's Response: To ensure that this does not happen again, a folder will be kept with all of the approved reports for the year.