

BRACKEN COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

WITH

Independent Auditors' Report

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BRACKEN COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

WITH

Independent Auditors' Report

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BRACKEN COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2021

WITH

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Bracken County Public Library
Brooksville, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Bracken 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 from material misstatement, whether due to fraud or error.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

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 Bracken County Public Library, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2022, on our consideration of Bracken 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bracken County Public Library's internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

July 11, 2022

BRACKEN COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

This discussion and analysis of Bracken County Public Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2021. Please review it in conjunction with the attached financial statements.

Financial Highlights

- At the close of the fiscal year, the Library's net position was \$2,070,914, an increase of \$6,281, or 0.30%, from FY 2020.
- In the governmental funds, total revenues during the fiscal year decreased by \$52,832 and total expenditures decreased by \$2,012. The decrease in revenues was primarily due to a decrease in franchise taxes collected.
- At the close of the fiscal year, the Library's governmental fund balance was \$1,027,922, an increase of \$108,484 or 11.80%, from FY 2020.

Overview of the Financial Statements

The Management Discussion and Analysis serves as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances.

One of the most important questions to ask is whether the Library is in better financial shape as a result of the year's activities. The two government-wide financial statements help answer this question. These two statements include all revenues, expenditures, assets and liabilities.

These two statements report the Library's net position and changes in them. The change in net position – the difference between assets [what the Library owns] and liabilities [what the Library owes] – is one way to measure the Library's financial health or position. Over time, increases and decreases in the Library's net position is one indicator of whether its financial position is improving or deteriorating. However, in evaluating the overall health of the Library, non-financial factors such as improvements in services and capacity, also must be considered.

Fund Financial Statements

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide more detailed information about the Library's funds rather than the Library as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Currently the Library has two funds.

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

BRACKEN COUNTY PUBLIC LIBRARY

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

Construction Fund – The Construction Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Notes to the Financial Statements

The notes to the financial statements provide an expanded explanation that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library’s budget. This information can be found on pages 34 through 36 of this report.

Basis of accounting

All funds of the Bracken County Public Library are maintained using the modified accrual basis of accounting, which is recommended by the Governmental Accounting Standards Board.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The Library’s combined net position increased between FY 2020 and FY 2021 by \$6,281 or 0.30%. The majority of the Library’s assets (58.25%) are invested in capital assets.

The vast majority (99.31%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equaled \$3,420 or 0.69% of total revenue. Table 2 on page 5 shows the change in net position for FY 2021 and FY 2020.

**Table 1
Net Position**

	Governmental Activities	
	FY 2021	FY 2020
Current assets	\$ 1,032,930	\$ 925,769
Capital assets	1,441,278	1,487,746
Total assets	2,474,208	2,413,515
Deferred outflows of resources	126,006	112,215
Total assets and deferred outflows	\$ 2,600,214	\$ 2,525,730
Current liabilities	\$ 5,008	\$ 6,331
Long-term liabilities	503,501	419,087
Total liabilities	508,509	425,418
Deferred inflows of resources	20,791	35,679
Total liabilities and deferred inflows	\$ 529,300	\$ 461,097
Invested in capital assets, net of debt	\$ 1,441,278	\$ 1,487,746
Unrestricted	629,636	576,887
Total net position	\$ 2,070,914	\$ 2,064,633

**BRACKEN COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2021

**Table 2
Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Program Revenues		
Charges for services	\$ 1,370	\$ 1,772
Operating grants and contributions	2,050	11,629
General Revenues		
Taxes – real estate, property and motor vehicle	482,756	533,452
Investment earnings	1,053	1,301
Miscellaneous	<u>10,533</u>	<u>2,440</u>
Total Revenues	<u>497,762</u>	<u>550,594</u>
Program Expenses		
Personnel	257,153	261,441
Depreciation	95,270	94,207
Facility	30,828	25,548
Automation	27,186	26,595
Other	27,144	36,264
Maintenance	31,624	38,433
Materials	21,319	16,899
Program	957	3,473
Loss on disposal of capital assets	<u>-</u>	<u>2,454</u>
Total Expenses	<u>491,481</u>	<u>505,314</u>
Increase in Net Position	<u>\$ 6,281</u>	<u>\$ 45,280</u>

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

At the close of the fiscal year, the Library's governmental funds reported balances of \$1,027,922, an increase of \$108,484 from the previous year.

General Fund Budgetary Highlights

Revenues - Actual general fund revenues were more than budgeted revenues by \$127,499, or 34.44%.

Expenses – Actual general fund expenses were less than budgeted expenses by \$65,814, or 14.57%.

BRACKEN COUNTY PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Library's investment in capital assets equaled \$1,441,278 as of June 30, 2021. During the year, capital assets valued at \$48,802 were added while depreciation during the period was \$95,270. Further information about the Library's capital assets can be found in Note 4 on page 19 of this report.

Long-term Debt

At fiscal year-end, the Library had no long-term borrowing debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year beginning July 1, 2021, general operating revenues are expected to be \$470,900. \$450,000 is budgeted for real estate, personal property, and motor vehicle taxes (95.56% of the total general operating revenue) based on estimates from the Kentucky Department for Local Government and the Kentucky Department for Libraries and Archives. In order to maintain service at the current level, the Board approved a tax rate of 9.40 cents per \$100 assessed valuation of real property, 9.40 cents per \$100 assessed valuation of personal property, and 5.00 cents per \$100 assessed valuation of motor vehicles.

The remaining 4.44% of the general operating revenue is composed of four miscellaneous sources. Of these categories, charges for services (which include fines and fees for late library materials, book sales, coffee income and passport filing fees) represents \$1,000, or 0.21% of the general operating revenue, interest on deposits represents \$1,200, or 0.26% of the general operating revenue, state aid represents \$18,500, or 3.93%, and other miscellaneous sources represents \$200, or 0.04%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances and demonstrates the Library's accountability for all money it receives. Please direct any questions you have about this report to Christian Shroll, Director, Bracken County Public Library, 310 West Miami Street, Brooksville, KY 41004 or by calling 606-735-3620.

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BRACKEN COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 776,159
Certificates of deposits	253,900
Taxes receivable	2,871
Capital assets, net of accumulated depreciation	1,441,278
Total assets	2,474,208
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension plan	68,964
Deferred outflows related to OPEB	57,042
Total deferred outflows of resources	126,006
Total assets and deferred outflows of resources	2,600,214
LIABILITIES	
Accrued wages	1,295
Accrued payroll taxes	3,713
Long-term liabilities:	
Net pension liability	382,959
Net OPEB liability	120,542
Total liabilities	508,509
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension plan	4
Deferred inflows related to OPEB	20,787
Total deferred inflows of resources	20,791
Total liabilities and deferred inflows of resources	529,300
NET POSITION	
Invested in capital assets, net of related debt	1,441,278
Unrestricted	629,636
Total net position	\$ 2,070,914

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The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Personnel	\$ 257,153	\$ -	\$ -	\$ (257,153)
Depreciation	95,270	-	-	(95,270)
Facility	30,828	-	-	(30,828)
Automation	27,186	-	-	(27,186)
Other	27,144	-	-	(27,144)
Maintenance	31,624	-	-	(31,624)
Materials	21,319	-	-	(21,319)
Programs	957	-	-	(957)
Revenue	-	1,370	2,050	3,420
Total governmental activities	491,481	1,370	2,050	(488,061)
GENERAL REVENUES:				
				426,479
Real estate and property taxes				56,277
Motor vehicle taxes				1,053
Investment earnings				10,533
Miscellaneous				494,342
Total general revenues				6,281
Change in net position				2,064,633
NET POSITION, BEGINNING				2,070,914
NET POSITION, ENDING				\$ 2,070,914

The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	<u>General</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
- ASSETS -			
Cash and cash equivalents	\$ 776,159	\$ -	\$ 776,159
Certificates of deposit	253,900	-	253,900
Taxes receivable	<u>2,871</u>	<u>-</u>	<u>2,871</u>
Total assets	<u><u>\$ 1,032,930</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,032,930</u></u>
- LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accrued wages	\$ 1,295	\$ -	\$ 1,295
Accrued payroll taxes	<u>3,713</u>	<u>-</u>	<u>3,713</u>
Total liabilities	<u>5,008</u>	<u>-</u>	<u>5,008</u>
FUND BALANCES:			
Unassigned	<u>1,027,922</u>	<u>-</u>	<u>1,027,922</u>
Total fund balances	<u>1,027,922</u>	<u>-</u>	<u>1,027,922</u>
Total liabilities and fund balances	<u><u>\$ 1,032,930</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,032,930</u></u>

The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2021

Total Governmental Fund Balances	\$	1,027,922
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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 as assets in the governmental funds.

Cost of capital assets	\$ 2,730,035	
Accumulated depreciation	<u>(1,288,757)</u>	
		1,441,278

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

Net pension liability	382,959	
Net OPEB liability	<u>120,542</u>	
		(503,501)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reportable in the governmental funds

Deferred outflows of resources	126,006	
Deferred inflows of resources	<u>(20,791)</u>	
		<u>105,215</u>

<i>Net Position of Governmental Activities</i>	\$	<u>2,070,914</u>
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The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	<u>General</u>	<u>Construction Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 426,479	\$ -	\$ 426,479
Motor vehicle taxes	56,277	-	56,277
Grants	2,000	-	2,000
Miscellaneous income	10,533	-	10,533
Library fines and fees	1,370	-	1,370
Investment earnings	1,053	-	1,053
Donations	50	-	50
Total revenues	<u>497,762</u>	<u>-</u>	<u>497,762</u>
EXPENDITURES:			
Salaries and wages	140,489	-	140,489
Book collection expense	41,944	-	41,944
Automation	33,276	-	33,276
Maintenance and repairs	31,624	-	31,624
Health insurance	27,485	-	27,485
Employee benefit - retirement	26,011	-	26,011
Furniture and equipment	17,404	-	17,404
Utilities	15,121	-	15,121
Insurance - other	10,862	-	10,862
Legal and professional	9,972	-	9,972
Library and office supplies	9,785	-	9,785
Public relations	3,878	-	3,878
Miscellaneous	3,212	-	3,212
Security	2,946	-	2,946
Payroll taxes	2,671	-	2,671
Unemployment	2,445	-	2,445
Workers' compensation	2,318	-	2,318
Telephone	1,899	-	1,899
Meetings and training	957	-	957
Postage	264	-	264
Capital outlay	-	4,715	4,715
Total expenditures	<u>384,563</u>	<u>4,715</u>	<u>389,278</u>
Excess revenues (expenditures)	<u>113,199</u>	<u>(4,715)</u>	<u>108,484</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	4,715	4,715
Transfers out	(4,715)	-	(4,715)
Net other financing sources (uses)	<u>(4,715)</u>	<u>4,715</u>	<u>-</u>
Net change in fund balances	108,484	-	108,484
FUND BALANCES, BEGINNING	<u>919,438</u>	<u>-</u>	<u>919,438</u>
FUND BALANCES, ENDING	<u>\$ 1,027,922</u>	<u>\$ -</u>	<u>\$ 1,027,922</u>

The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

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

Year Ended June 30, 2021

Net Change in Fund Balances -Total Governmental Funds **\$ 108,484**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated lives as annual depreciation expenses in the Statements of Activities. This is the amount by which depreciation in the period exceeds capital outlays.

Capital outlay for capital assets	\$ 48,802	
Depreciation expense	<u>(95,270)</u>	(46,468)

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions are reported as pension expense. This is the amount by which cost of benefits earned exceeded employer contributions.

Employer contributions	26,011	
Cost of benefits earned	<u>(75,038)</u>	(49,027)

Governmental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employer contributions is reported as OPEB expense. This is the amount by which cost of benefits earned exceeded employer contributions.

Employer contributions	6,415	
Cost of benefits earned	<u>(13,123)</u>	<u>(6,708)</u>

Change in Net Position of Governmental Activities **\$ 6,281**

The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bracken County Public Library (Library) was established pursuant to the provisions of Kentucky Revised Statutes Chapter 173, to serve all areas of Bracken County through its library and bookmobile services on August 13, 1990. The Library is located in Brooksville, Kentucky.

The Library is designated a Special Taxing District by the Commonwealth of Kentucky and derives its revenues from locally assessed taxes, from State aid, and grant funds. Due to its type of organization, the Library is exempt from federal and state income taxes.

The Library Board of Trustees is comprised of five members who are residents of Bracken County. The existing governing board of trustees is for four-year terms. Annually, the Library is required to prepare a report of its financial and service activities, and submit the report to the State Department of Libraries and Archives and the County Fiscal Court.

The Library's basic financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Basic Financial Statements – Government-Wide Statements

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library currently has no funds that are classified as business-type activities.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net position resulting from the current year's activities.

B. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Library:

1. **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Library.

BRACKEN COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. **General fund** is the general operating fund of the Library and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
- b. **Construction fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

2. 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 imposes 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.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Use of Estimates

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

E. Cash and Cash Equivalents

For the purpose of these financial statements, cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

F. Income Taxes

The Bracken County Public Library is a component of county government and is exempt from federal and state income taxes.

G. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization thresholds are shown below. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Capitalization Threshold	Estimated Lives (Years)
Land	\$ 1	-
Land improvements	12,500	20
Buildings	10,000	40
Building improvements	10,000	10
Furniture and fixtures	2,500	8
Computers and equipment	1,000	5
Software	10,000	5
Vehicles	2,500	5
Books	1	5

BRACKEN COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. The Bracken County Public Library had no long-term obligations at June 30, 2021.

I. 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.

J. Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement System Insurance Fund (KRS) and additions to/deductions from KRS's fiduciary net position have been determined on the same basis as they are reported by KRS. 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.

K. 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 net position. Deferred outflows of resources reported in this year's financial statements relate to the Library's pension plan and OPEB plan and include (1) contributions made to the Library's pension plan and OPEB plan between the measurement date of the net pension liability and the net OPEB liability and the end of the Library's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions, (4) changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining 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 and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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). Deferred inflows of resources reported in this year's financial statements relate to the Library's pension plan and OPEB plan and include (1) differences between the expected and actual experience, (2) changes in assumptions and (3) changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows of resources affect the governmental funds financial statements in the current year.

M. 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 expenditure 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 using unassigned fund balances.

O. Interfund Transactions

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library's deposits at June 30, 2021, consist of cash and certificates of deposit. The Library's deposits were partially insured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the Library's name. The carrying amount of the Library's deposits with financial institutions at June 30, 2021 was \$1,030,059 and the bank balance was \$1,029,098. Of the total bank balance, \$380,075 was insured by Federal Depository Insurance and the remaining \$649,023 was uninsured at June 30, 2021.

Kentucky Revised Statutes authorize Libraries 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.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 3 – PROPERTY TAX CALENDAR

Property taxes for the year ended June 30, 2021 were levied in October 2020 on the assessed valuation of property located in Bracken County as of the January 1, 2020 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment date	by December 31
3. Delinquent dates,	
5% penalty, 12% interest	January 1 – January 31
20% penalty, 12% interest	After January 31

Vehicle taxes are collected by the County Clerk of Bracken County and are due and payable in the birth month of the vehicle's licensee.

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land and improvements	\$ 118,300	\$ -	\$ -	\$ 118,300
Buildings and improvements	1,634,125	-	-	1,634,125
Technology equipment	35,901	6,090	-	41,991
Vehicle	17,400	-	-	17,400
Furniture and fixtures	100,234	10,585	-	110,819
Library books	<u>775,273</u>	<u>32,127</u>	-	<u>807,400</u>
Total capital assets at cost	<u>2,681,233</u>	<u>48,802</u>	-	<u>2,730,035</u>
Accumulated depreciation	<u>(1,193,487)</u>	<u>(95,270)</u>	-	<u>(1,288,757)</u>
Total capital assets, net	<u>\$ 1,487,746</u>	<u>\$ (46,468)</u>	<u>\$ -</u>	<u>\$ 1,441,278</u>

NOTE 5 – EMPLOYEE’S PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the Library 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.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced Retirement	27 years service or 65 years old
	Reduced Retirement	At least 5 years service and 55 years old, or At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced Retirement	At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87
	Reduced Retirement	Not available

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

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, 2021 was 24.06%, of which 19.30% was for the pension fund and 4.76% was for the insurance fund. Contributions to the pension plan from the Library were \$32,426 for the year ended June 30, 2021, of which \$26,011 was for the pension fund and \$6,415 was for the insurance fund.

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

At June 30, 2021, the Library reported a liability of \$382,959 for its proportionate share of the net pension liability. The net pension liability was based on an actuarial valuation performed on June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. During the 2020 Legislative Session, Senate Bill 249 and House Bill 271 passed impacting changes in the funding period for the amortization of the unfunded liability as of June 30, 2019 and payments to a surviving spouse. The Library’s proportionate share of the net pension liability was determined using the Library’s actual contributions for the fiscal year ending June 30, 2020. This method was expected to be reflective of the Library’s long-term contribution effort. At June 30, 2020, the Library’s proportion was 0.004993%, which was an increase of 0.000184% from its proportion measured as of June 30, 2019.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the Library recognized pension expense of \$75,037. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,550	\$ -
Changes of assumptions	14,954	-
Net difference between projected and actual earnings on plan investments	9,583	-
Changes in proportion and differences between Library contributions and proportionate share of contributions	8,866	4
Library contributions subsequent to the measurement date	26,011	-
	<u>\$ 68,964</u>	<u>\$ 4</u>

The \$26,011 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 19,763
2023	14,144
2024	5,194
2025	3,849
2026	-
	<u>\$ 42,950</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 10.30%, varies by service
Payroll growth rate	2.00%
Investment rate of return	6.25%

BRACKEN COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

The mortality table used for active members was a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2013 - June 30, 2018.

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 the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

Long-Term Expected Rate of Return. The long-term expected rate of return 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	<u>100%</u>	

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 5 – EMPLOYEE’S PENSION PLAN (CONTINUED)

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:

	1% Decrease <u>(5.25%)</u>	Current Discount Rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
Library's proportionate share of the net pension liability	\$ 472,272	\$ 382,959	\$ 309,005

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 Library makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2021, there was no payable to the pension plan.

NOTE 6 – POSTEMPLOYMENT BENEFITS

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 61.701, 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 plan premium (contribution) 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 2020 is \$13.58 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.

BRACKEN COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are 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, 2021 was 24.06%, of which 19.30 % was for the pension fund and 4.76% was for the insurance fund. See Note 5 for contributions to the plan from the Library 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, 2021, the District reported a liability of \$120,542 for its proportionate share of the net OPEB liability. The net OPEB liability was based on an actuarial valuation performed on June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. During the 2020 Legislative Session, Senate Bill 249 passed impacting changes in the funding period for the amortization of the unfunded liability as of June 30, 2019. The Library’s proportionate share of the net OPEB liability was determined using the Library’s actual contributions for the fiscal year ending June 30, 2020. This method is expected to be reflective of the Library’s long-term contribution effort. At June 30, 2020, the District’s proportion was 0.004992%, which was an increase of 0.000184% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Library recognized OPEB expense of \$13,123. 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
Differences between expected and actual experience	\$ 20,140	\$ 20,156
Changes of assumptions	20,967	128
Net difference between projected and actual earnings on plan investments	4,006	-
Changes in proportion and differences between Library contributions and proportionate share of contributions	2,556	503
Library contributions subsequent to the measurement date	9,373	-
	\$ 57,042	\$ 20,787

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The \$9,373 reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 7,132
2023	8,318
2024	6,045
2025	5,706
2026	(318)
2027	-
	<u>\$ 26,883</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: 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 Post – 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

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 the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2013 - June 30, 2018.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount rate. The discount rate used to measure the total OPEB liability was 5.34%. 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 25-year (closed) 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 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. 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. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note 5.

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 rate:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
Library's proportionate share of the net OPEB liability	\$ 154,861	\$ 120,542	\$ 92,354

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Library's proportionate share of the net OPEB liability	\$ 93,329	\$ 120,542	\$ 153,564

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

BRACKEN COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 6 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Payables to the OPEB plan

The Library makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note 5 Employee’s Pension Plan for payable as of June 30, 2021.

NOTE 7 – LEASES

On July 18, 2017, the Library entered a lease agreement for a Konica Minolta C258 copier. The lease terms are 60 months at \$140 per month. The following is a schedule of the minimum lease payments as of June 30,

2022	\$1,686
Thereafter	-
	<u>\$1,686</u>

NOTE 8 – CLAIMS AND JUDGEMENTS

The Library has not withheld the employee portion of the social security tax and has not remitted the employee or employer social security tax on taxable social security wages for full-time employees. The amount, if any, of social security tax that will be required to be paid on the wages has not been determined at this time and is not reflected in the basic financial statements.

NOTE 9 – RISKS AND UNCERTAINTIES

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 10 – SUBSEQUENT EVENTS

The Library has evaluated subsequent events through July 11, 2022, the date which the financial statements were available to be issued. No events occurred which would have a material effect on the financial statements of the Library as of that date.

BRACKEN COUNTY PUBLIC LIBRARY

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

County Employees Retirement System

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Library's proportion of the net pension liability (asset)	0.004993%	0.004809%	0.004823%	0.004771%	0.002851%	0.002679%	0.003568%			
Library's proportionate share of the net pension liability (asset)	\$ 382,959	\$ 338,219	\$ 293,735	\$ 279,261	\$ 140,362	\$ 115,202	\$ 115,746			
Library's covered-employee payroll	\$ 127,895	\$ 121,308	\$ 119,530	\$ 116,170	\$ 72,118	\$ 75,634	\$ 96,914			
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	299.43%	278.81%	245.74%	240.39%	194.63%	152.32%	119.43%			
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%			

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

BRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF LIBRARY PENSION CONTRIBUTIONS

County Employees Retirement System

Last 10 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>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 26,011	\$ 24,684	\$ 19,676	\$ 17,308	\$ 16,206	\$ 8,957	\$ 9,643	\$ 13,316		
Contributions in relation to the contractually required contribution	<u>\$ (26,011)</u>	<u>\$ (24,684)</u>	<u>\$ (19,676)</u>	<u>\$ (17,308)</u>	<u>\$ (16,206)</u>	<u>\$ (8,957)</u>	<u>\$ (9,643)</u>	<u>\$ (13,316)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Library's covered-employee payroll	\$ 134,770	\$ 127,895	\$ 121,308	\$ 119,530	\$ 116,170	\$ 72,118	\$ 75,634	\$ 96,914		
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.40%	12.75%	13.74%		

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BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2021

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 (set-back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

2019

- The assumed salary increase was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- For active members, the mortality table used is a 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, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

BRACKEN COUNTY PUBLIC LIBRARY

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

County Employees Retirement System

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Library's proportion of the net OPEB liability (asset)	0.004992%	0.004808%	0.004823%	0.004771%						
Library's proportionate share of the net OPEB liability (asset)	\$ 120,542	\$ 80,868	\$ 85,631	\$ 95,913						
Library's covered-employee payroll	\$ 127,895	\$ 121,308	\$ 119,530	\$ 116,170						
Library's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	94.25%	66.66%	71.64%	82.56%						
Plan fiduciary net position as a percentage of the total pension liability	51.67%	60.44%	57.62%	52.39%						

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

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BRACKEN COUNTY PUBLIC LIBRARY
SCHEDULE OF LIBRARY OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 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>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 6,415	\$ 6,088	\$ 6,381	\$ 5,618	\$ 5,495					
Contributions in relation to the contractually required contribution	<u>\$ (6,415)</u>	<u>\$ (6,088)</u>	<u>\$ (6,381)</u>	<u>\$ (5,618)</u>	<u>\$ (5,495)</u>					
Contribution deficiency (excess)	<u>\$ -</u>									
Library's covered-employee payroll	\$ 134,770	\$ 127,895	\$ 121,308	\$ 119,530	\$ 116,170					
Contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.70%	4.71%					

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BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION

June 30, 2021

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

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

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

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

2018

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years to an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years to an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

2019

- The assumed salary increase was adjusted from 3.05% to between 3.30% and 10.30%, depending on service.
- For active members, the mortality table used 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, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is a PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

2020

- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years to an initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years to an initial trend starting at 2.90%, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

BRACKEN COUNTY PUBLIC LIBRARY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2021

	Original and Final Budget	Actual Budgetary Basis
REVENUES:		
Property taxes	\$ 327,500	\$ 426,479
Motor vehicle taxes	25,000	56,254
Grants	-	2,000
Miscellaneous income	15,000	10,533
Library fines and fees	1,000	1,370
Investment earnings	1,240	1,053
Donations	500	50
Total revenues	<u>370,240</u>	<u>497,739</u>
EXPENDITURES:		
Salaries and wages	151,000	142,496
Book collection expense	45,000	41,944
Automation	25,000	33,276
Maintenance and repairs	24,400	31,624
Health insurance	22,000	27,485
Employee benefit - retirement	33,000	26,011
Furniture and equipment	27,000	17,404
Utilities	16,000	15,121
Insurance - other	12,000	10,862
Legal and professional	59,300	9,972
Library and office supplies	13,000	9,785
Public relations	8,200	3,878
Miscellaneous	-	3,212
Security	2,000	2,946
Payroll taxes	4,000	1,987
Unemployment	2,000	2,445
Workers' compensation	3,000	2,318
Telephone	-	1,899
Meetings and training	4,600	957
Postage	200	264
Total expenditures	<u>451,700</u>	<u>385,886</u>
Excess revenues (expenditures)	<u>(81,460)</u>	<u>111,853</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	(4,715)
Net other financing sources (uses)	<u>-</u>	<u>(4,715)</u>
Net change in fund balance	<u>\$ (81,460)</u>	<u>\$ 107,138</u>

The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE
(CONTINUED)
GENERAL FUND

Year Ended June 30, 2021

BUDGET TO GAAP RECONCILIATION:

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

	<u>General Fund</u>
Sources/revenues:	
Actual amounts (budgetary basis)	\$ 497,739
Differences - budget to GAAP:	
The District budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis	<u>23</u>
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 497,762</u></u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 385,886
Differences - budget to GAAP:	
The District budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	<u>(1,323)</u>
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	<u><u>\$ 384,563</u></u>

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The accompanying notes are an integral part of this statement.

BRACKEN COUNTY PUBLIC LIBRARY

NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2021

NOTE A – BUDGETING POLICIES

As commonly practiced in governmental entities, the Library’s budgetary process accounts for certain transactions on a basis other than the generally accepted accounting principles (GAAP) basis. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. 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.

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**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 Trustees
Bracken County Public Library
Brooksville, 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 each major fund of the Bracken 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 Bracken County Public Library's basic financial statements, and have issued our report thereon dated July 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bracken 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 the Bracken County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bracken 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. We did identify certain deficiencies in internal control, described below as items we consider to be significant deficiencies:

Deficiency: Reconciliations of cash accounts are not performed.

Response: Management will reconcile cash accounts from bank balances to the general ledger balance monthly to determine that all cash transactions have been recorded properly and to discover bank or accounting errors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bracken 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 below:

Noncompliance: Kentucky Revised Statutes require certificates of deposit or other interest-bearing accounts to be insured by the Federal Deposit Insurance Corporation or be collateralized by obligations permitted by KRS 41.240(4). The Library's uninsured cash and cash equivalents were not collateralized during the year.

Response: Management will communicate to the financial institution that the collateral is required.

Noncompliance: The Library has not withheld the employee portion of social security tax and has not remitted the employee or employer portion of social security tax on all taxable social security wages for full-time employees.

Response: The Library will accurately withhold and remit the social security tax on taxable social security wages for full-time employees and will continue to withhold and remit the social security tax on taxable social security wages for part-time employees.

Bracken County Public Library's Response to Findings

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

Purpose of this Report

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

Bramel & Ackley, P.S.C.

July 11, 2022