

PULASKI COUNTY PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Pulaski County Public Library District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the discretely presented component unit of the Pulaski County Public Library District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 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.

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 discretely presented component unit of the Pulaski County Public Library District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 6, and pages 28 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2020 on our consideration of the Pulaski County Public Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County Public Library District's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 19, 2020

PULASKI COUNTY PUBLIC LIBRARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Pulaski County Public Library District's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the library for the fiscal year ended June 30, 2020. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

- I. The Library spent approximately 1.27% of its tax revenues on Library Materials.*
- II. The Library Board of Trustees maintained the same property tax rates as the prior year, and the Library's income from property tax decreased 1.4% from the previous fiscal year.*
- III. The Library continues to spend on improved equipment and improved services.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net position are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

In the Statement of Net Position and the Statement of Activities, we look at the Library's overall activity.

Governmental activities – most of the Library's basic services are reported here including property taxes, grants and other income which finance most of these activities.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year detail operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 11,432,409	\$ 11,661,849	\$ (229,440)
Other assets	2,522,659	2,164,204	358,455
Deferred outflows	492,063	480,555	11,508
Long-term liabilities	6,292,164	6,810,433	(518,269)
Current liabilities	777,422	772,878	4,544
Deferred inflows	223,496	177,994	45,502
Invested in fixed assets	6,432,659	6,015,556	417,103
Unrestricted net position	721,390	529,747	191,643

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Variance</u>
Taxing district revenues	\$ 2,720,153	\$ 2,683,365	\$ 36,788
Grant revenues	66,254	81,338	(15,084)
Investment income	3,038	3,125	(87)
Public support	39,414	54,163	(14,749)
Other revenues	-	-	-
Total revenues	<u>2,828,859</u>	<u>2,821,991</u>	<u>6,868</u>
Personnel expenses	1,251,505	1,224,467	27,038
Library materials	34,543	55,322	(20,779)
Repairs and maintenance	49,529	39,469	10,060
Telecommunication	82,642	89,553	(6,911)
Utilities	109,338	106,211	3,127
Insurance	41,170	36,118	5,052
Office supplies	7,921	7,660	261
Professional fes	82,458	81,537	921
Postage	3,326	3,436	(110)
Bookmobile	2,025	3,888	(1,863)
Staff development	7,539	11,265	(3,726)
Public relations	1,076	2,250	(1,174)
Grant expenses	-	814	(814)
Rent	9,600	9,600	-
Library supplies	3,905	3,315	590
Other expenses	16,127	17,768	(1,641)
Interest expense	119,189	139,967	(20,778)
Depreciation expense	398,220	392,070	6,150
Total expenditures	<u>2,220,113</u>	<u>2,224,710</u>	<u>(4,597)</u>
Transfers from component unit	-	-	-
Change in net position	<u>\$ 608,746</u>	<u>\$ 597,281</u>	<u>\$ 11,465</u>

The Library's net position increased by approximately \$609,000 during this fiscal year. When compared to the prior year, the unrestricted net position increased by approximately \$191,000.

The Library's main source of revenue is property tax, which is approximately 96% of the Library's total revenue. This revenue decreased by approximately 1.4% over the previous fiscal year. Other income sources included grants, donations, state aid, and fines and fees. Total operating expenses decreased by 0.2% from the previous fiscal year. The personnel expense is by far the largest expense and represents 56% of total operating expenditures – a little below the state average of 67%. Personnel expenditures increased only about 2% from the previous year.

Capital Asset Activity

Capital asset activity included the installation of an upgraded telephone system throughout the main building.

All fixed asset additions were funded through the capital development fund without the use of bonding.

Budget Highlights

The Library adopts an annual budget at the June Board meeting after it has been presented in May for discussion. The budget is devised through a cooperative team of Board members, Management staff, plus the Bookkeeper/Administrative Assistant. Meetings are held prior to the June Board meeting, and goals for the next year are established by the staff and possible expenditures related to those goals are identified. The Operating Budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occur. A current Fiscal Year budget comparison for the current month and year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on, nor shown, on the financial statements section of this report. A procurement policy has been established by the Board to give direction to larger spending amounts.

The Library has operated on a zero-balance budget so that at the end of the fiscal year each budget category reverts back to the new balance for the new year. Each year the library staff has worked diligently to keep the overall budget in line with the projected budget. Some categories may be over but in general the overall amounts are taken to the Board of Trustees for approval before the purchase is made. Please note that this budget comparison is prior to any audit adjustments purposes.

A summarized comparison of budget highlights is listed below:

	Budget Comparison for 2020 – 2019		
	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 2,695,800	\$ 2,828,859	\$ 133,059
Personnel expenses	1,153,552	1,073,880	(79,672)
Library Materials	200,700	34,543	(166,157)
Repairs and maintenance	59,000	49,529	(9,471)
Telecommunication	159,200	82,642	(76,558)
Utilities	105,000	109,338	4,338
Insurance	31,000	41,170	10,170
Office supplies	17,000	7,921	(9,079)
Professional fees	73,000	82,458	9,458
Postage	5,000	3,326	(1,674)
Bookmobile	6,000	2,025	(3,975)
Staff development	10,600	7,539	(3,061)
Public relations	7,000	1,076	(5,924)
Grant expenses	5,000	-	(5,000)
Rent	9,600	9,600	-
Library supplies	7,000	3,905	(3,095)
Other expenses	12,000	16,129	4,129
Capital outlay	35,000	168,780	133,780
Debt service	778,000	773,007	(4,993)
Total Budgeted	<u>\$ 22,148</u>	<u>\$ 361,991</u>	<u>\$ 339,843</u>

Investment Administration

The Library continues to save funds from unspent fiscal year budgets to use in future capital expansion projects. These funds are invested in interest bearing accounts in several different banks, and they are managed by the Library Board of Trustees. Monitoring interest rates are the responsibility of the Library Board of Trustees.

Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2020 budget. One of the factors was the local economy and anticipated tax revenue to be expected from the property tax due to the re-assessment of many properties this past year. This is the Library's main source of revenue. The Library's operating expense increases, and future capital expansion plans are dependent upon growth in tax revenue. Also, the continuing effects of the Covid-19 pandemic were taken into account as well.

Contacting the Library Management

The financial report is designed to provide the citizens of Pulaski County and its creditors with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Charlotte Keeney.

Pulaski County Public Library District
Statement of Net Position
June 30, 2020

	Primary Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	\$ 2,444,339	\$ 51,607
Investments	-	136,083
Taxes receivable	27,624	-
Prepaid insurance and expenses	35,696	-
Other assets	15,000	-
Fixed Assets:		
Depreciable buildings, property and equipment, net of depreciation	10,181,691	1,001
Land	1,250,718	-
Total Fixed Assets	11,432,409	1,001
Total Assets	13,955,068	188,691
Deferred Outflows of Resources:		
Subsequent pension & OPEB contributions	138,031	-
Deferred outflows related to pensions	239,987	-
Deferred outflows related to OPEB	114,045	-
Total Deferred Outflows of Resources	492,063	-
Total Assets and Deferred Outflows of Resources	\$ 14,447,131	\$ 188,691
Liabilities:		
Accounts payable	\$ 30,038	\$ -
Accrued expenses	23,106	-
Accrued interest payable	57,379	-
Current portion of compensated absences	5,000	-
Current portion of bond premium	34,258	-
Current portion of long-term debt	627,641	-
Long-Term Obligations:		
Compensated absences	40,688	-
Long-term debt	4,138,013	-
Bond premium	199,838	-
Net pension liability	1,544,383	-
Net OPEB liability	369,242	-
Total Liabilities	7,069,586	-
Deferred Inflows of Resources:		
Deferred inflows related to pensions	81,702	-
Deferred inflows related to OPEB	141,794	-
Total Deferred Inflows of Resources	223,496	-
Net Position:		
Unrestricted	721,390	187,690
Invested in fixed assets	6,432,659	1,001
Total Net Position	7,154,049	188,691
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,447,131	\$ 188,691

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

Pulaski County Public Library District
Statement of Activities
For The Year Ended June 30, 2020

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
					<u>Primary Government</u>	<u>Component Unit</u>
Primary Government						
Governmental activities						
Library Services	\$ (2,220,113)	39,414	23,254	43,000	\$ (2,114,445)	\$ -
Component Unit						
Pulaski County Public Library Foundation	\$ (8,399)	-	3,460	-	\$ -	(4,939)
			General Revenues:			
			Taxing district revenues		\$ 2,720,153	\$ -
			Investment income		3,038	698
			Other income		-	2,635
			Total general revenues		<u>2,723,191</u>	<u>3,333</u>
			Change in net position		<u>608,746</u>	<u>(1,606)</u>
			Net position - beginning		<u>6,545,303</u>	<u>190,297</u>
			Net position - ending		<u>\$ 7,154,049</u>	<u>\$ 188,691</u>

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

Pulaski County Public Library District
Balance Sheet
Governmental Fund
June 30, 2020

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 2,444,339
Taxes receivable	27,624
Prepaid insurance and expenses	35,696
Other assets	15,000
Total Assets	\$ 2,522,659
Liabilities	
Accounts payable	\$ 30,038
Accrued expenses	23,106
Compensated absences	5,000
Total Liabilities	\$ 58,144
Fund Balances	
Nonspendable- prepaid insurance and expenses	\$ 35,696
Nonspendable- other assets	15,000
Unassigned	2,413,819
Total Fund Balances	\$ 2,464,515
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 11,432,409
Deferred outflows, inflows, and net pension and OPEB liabilities related to the implementation of GASB 68 and 75 which are not receivable or payable in the current period and therefore, not reported in the fund	(1,645,058)
Certain liabilities (including bonds payable, bond premium, and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(5,097,817)
Net position of governmental activities	\$ 7,154,049

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

Pulaski County Public Library District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2020

	Governmental Fund
Revenues	
Taxing district revenues	\$ 2,720,153
Grant revenues	66,254
Investment income	3,038
Charges for services	39,414
Other revenues	-
	-
Total Revenues	2,828,859
Expenditures	
Personnel expenses	1,073,880
Library materials	34,543
Repairs and maintenance	49,529
Telecommunication	82,642
Utilities	109,338
Insurance	41,170
Office supplies	7,921
Professional fees	82,458
Postage	3,326
Bookmobile	2,025
Staff development	7,539
Public relations	1,076
Grant expenses	-
Rent	9,600
Library supplies	3,905
Other expenses	16,129
	16,129
Total Current Expenditures	1,525,081
Operating capital outlays	168,780
Debt Service	
Principal	646,543
Interest	126,464
	126,464
Total Expenditures	2,466,868
Net change in fund balance	361,991
Fund balance - beginning	2,102,524
Fund balance - ending	\$ 2,464,515

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

Pulaski County Public Library District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2020

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	361,991
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay		168,780
Depreciation Expense		(398,220)

Governmental Funds report pension and OPEB related expenses of \$139,483. However, the Statement of Net Position reports pension and OPEB expenses calculated pursuant to GASB 68 and 75 of \$312,757.		(173,274)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position		646,544
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Government Funds report expense as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences.		2,925
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Change in Net Position of Governmental Activities	\$	608,746
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The accompanying notes are an integral part of these financial statements.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pulaski County Public Library District is an independent government unit established in 1967 in accordance with K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. It is governed by a Board of Trustees who are appointed by the County Judge Executive with the prior approval of the State Librarian and Commissioner. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

The Library was created to provide all Pulaski County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. The Library provides current, high-demand, high-interest materials in various formats for people of all ages. Special emphasis is placed on supporting students of all ages and academic levels with their formal and informal courses of study and self-improvement. The library serves as a learning and educational center for all resident of the community.

The Pulaski County Public Library Foundation was evaluated and included as a discretely presented component unit due to the amount of donations received for the District and the fact that the Foundation serves the Library exclusively. According to the Articles of Incorporation for the Foundation, several members of the Board of Trustees for the District also serve on the Board of Directors for the Foundation.

Basis of Presentation

The financial statements of the Pulaski County Public Library District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The library has only one such governmental fund that accounts for the daily operating activity of the library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgeting

The Organization follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues include those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library's operating activities, an expense for capital outlays has been reported in the fund financial statements. The Library depreciates all books and materials as over five years.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2020 was \$398,220.

Fund Balance

As of June 30, 2012, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2020, fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable- Prepaid insurance and expenses	\$ 35,696
Nonspendable- Other Assets	15,000
Unassigned	2,413,819

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Retirement Plan

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the benefits, and retirement expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions and OPEB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2020 was as follows:

Category 1	\$	836,385
Category 2	\$	1,556,296
Category 3	\$	154,889

NOTE 3 – INVESTMENTS

Investments are carried at cost which approximates fair market value.

The Library’s investment policy is governed by the State of Kentucky Statutes. These requirements authorize the Library to invest in obligations backed by the full faith and credit of the United States and obligations of any corporation of the United States government, obligations issued by Kentucky, its agencies and instrumentalities, and obligations issued by any state or local government and rated in one of the three highest categories by at least one rating agency. The policy requires that amounts on deposit with financial institutions be collateralized at a rate of 100% of amounts in excess of deposit insurance coverage. As of June 30, 2020, all investments are certificates of deposit and marketable debt and equity securities.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 3 – INVESTMENTS (CONTINUED)

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value, but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.

Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Certificates of deposit	\$ -	\$ -	\$ -	\$ -
Debt and equity securities	136,083	136,083	-	-
Total	<u>\$ 136,083</u>	<u>\$ 136,083</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Land	\$ 1,250,718	\$ -	\$ -	\$ 1,250,718
Books	1,262,242	123,512	-	1,385,754
Buildings and improvements	11,954,676	3,974	-	11,958,650
Equipment, furniture, and fixtures	1,481,709	41,294	-	1,523,003
Total at historical cost	<u>15,949,345</u>	<u>168,780</u>	<u>-</u>	<u>16,118,125</u>
Less accumulated depreciation	<u>4,287,496</u>	<u>398,220</u>	<u>-</u>	<u>4,685,716</u>
Capital assets – net	<u>\$ 11,661,849</u>	<u>\$ (229,440)</u>	<u>\$ -</u>	<u>\$ 11,432,409</u>

<u>Component Unit</u>	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Equipment	\$ 4,911	\$ -	\$ -	\$ 4,911
Total at historical cost	<u>4,911</u>	<u>-</u>	<u>-</u>	<u>4,911</u>
Less accumulated depreciation	<u>3,301</u>	<u>609</u>	<u>-</u>	<u>3,910</u>
Capital assets – net	<u>\$ 1,610</u>	<u>\$ (609)</u>	<u>\$ -</u>	<u>\$ 1,001</u>

NOTE 5 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2020, the liability for these absences was \$45,688 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 6 – LONG-TERM DEBT

Series 2008 Bonds

The Library issued \$540,000 of General Obligation Refunding Bonds, Series 2008 dated June 1, 2008, with an average interest rate of 3.7% for the expansion project of the Library’s main branch. The bonds will mature on June 1, 2026.

The maturities of bonds payable of \$195,000 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 2021	\$ 30,000	\$ 7,215	\$ 37,215
June 2022	30,000	6,105	36,105
June 2023	30,000	4,995	34,995
June 2024	35,000	3,885	38,885
June 2025	35,000	2,590	37,590
June 2026	35,000	1,295	36,295
Total	<u>\$ 195,000</u>	<u>\$ 26,085</u>	<u>\$ 221,085</u>

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Series 2016 Bonds

The Library issued \$6,805,000 of General Obligation Refunding Bonds, Series 2016, (advance refunding) dated March 17, 2016, with an average interest rate of 3% to refund the Series 2006 & 2007 General Obligation Bonds. The bonds will mature on June 30, 2027.

The maturities of bonds payable of \$4,555,000 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 2021	\$ 590,000	\$ 136,650	\$ 726,650
June 2022	615,000	118,950	733,950
June 2023	635,000	100,500	735,500
June 2024	650,000	81,450	731,450
June 2025	665,000	61,950	726,950
June 2026- 2027	1,400,000	63,450	1,463,450
Total	<u>\$ 4,555,000</u>	<u>\$ 562,950</u>	<u>\$ 5,117,950</u>

Premium on Series 2016 Bonds

The Series 2016 Bonds were issued at a premium of \$376,837 which will be amortized over the life of the bonds which was 132 months. Below is the amortization of the bond premium of \$234,096.

	<u>Bond Premium</u>
June 2021	\$ 34,258
June 2022	34,258
June 2023	34,258
June 2024	34,258
June 2025	34,258
June 2026-2027	62,806
Total	<u>\$ 234,096</u>

Note Payable

The Library borrowed \$100,000, dated August 13, 2013. The note was refinanced in July 2017 with an interest rate of 4.75% and a maturity date of June 15, 2022.

The maturities of note payable of \$15,654 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 2021	7,641	579	8,220
June 2022	8,013	208	4,111
Total	<u>\$ 15,654</u>	<u>\$ 787</u>	<u>\$ 12,331</u>

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 7 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

	<u>Compensated Absences</u>	<u>Bonds & Notes Payable</u>	<u>Bond Premium</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Payable at June 30, 2019	\$ 41,337	\$ 5,377,940	\$ 268,354	\$ 1,373,851	\$ 400,495	\$ 7,461,977
Increase in liability	4,351	-	-	170,532	-	174,883
Decrease in liability	-	(612,286)	(34,258)	-	(31,253)	(677,797)
Payable at June 30, 2020	<u>\$ 45,688</u>	<u>\$ 4,765,654</u>	<u>\$ 234,096</u>	<u>\$ 1,544,383</u>	<u>\$ 369,242</u>	<u>\$ 6,959,063</u>

The annual debt services requirements to maturity for the long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Premium Amortization</u>	<u>Total</u>
June 2021	627,641	144,444	34,258	772,085
June 2022	653,013	125,263	34,258	778,276
June 2023	665,000	105,495	34,258	770,495
June 2024	685,000	85,335	34,258	770,335
June 2025	700,000	64,540	34,258	764,540
June 2026 - 2027	1,435,000	64,745	62,806	1,499,745
Total	<u>\$ 4,765,654</u>	<u>\$ 589,822</u>	<u>\$ 234,096</u>	<u>\$ 5,355,476</u>

NOTE 8 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2020 were levied on October 1, 2019 on the assessed property located in Pulaski County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

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

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN

The Library’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

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

At June 30, 2020, the Library reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Library as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net pension liability	\$	1,544,383
Commonwealth's proportionate share of the CERS net pension liability for the Library's plan		7,031,500,169
		7,033,044,552
	\$	7,033,044,552

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Library's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the Library's proportion was 0.021959% percent.

For the year ended June 30, 2020, the Library recognized pension expense of \$278,302 related to CERS. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 39,432	\$ 6,525
Changes of assumptions	156,307	-
Difference between projected and actual earnings on plan investments	29,646	54,541
Changes in proportion and differences between Company contributions and proportionate share of contributions	14,602	20,636
Library contributions subsequent to the measurement date	110,723	-
Total	\$ 350,710	\$ 81,702

The \$110,723 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized as an increase (decrease) in pension expense as follows on the next page.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Year ending June 30,	
2021	\$ 111,999
2022	32,323
2023	12,197
2024	1,766

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

Inflation	2.30%	
Salary increases	3.30%, average, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Core Bonds	13.50%	1.35%
Cash Equivalent	1.00%	0.20%
High Yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real Estate	5.00%	4.85%
Real Return	15.00%	4.10%
Private Equity	<u>10.00%</u>	<u>6.65%</u>
Total	100.00%	3.89%

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

Sensitivity of the Library’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the Library, calculated using the discount rates selected by each pension system, as well as what the Library’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Library’s proportionate share of net pension
1% decrease	5.25%	\$ 1,931,589
Current discount rate	6.25%	\$ 1,544,383
1% increase	7.25%	\$ 1,221,656

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

The Library’s employees are provided with the County Employees Retirement System.

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

At June 30, 2020, the Library reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the Library as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the Library were as follows:

Library’s proportionate share of the CERS net OPEB liability	\$	369,242
Commonwealth’s proportionate share of the CERS net OPEB liability for the Library’s plan		1,681,585,708
		1,681,954,950
	\$	1,681,954,950

The net OPEB liability for each plan was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Library’s proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the Library’s proportion was 0.021959% percent.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2020, the Library recognized OPEB expense of \$34,455 related to CERS. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ -	\$ 111,409
Changes of assumptions	109,263	731
Difference between projected and actual earnings on Plan investments	2,432	18,832
Changes in proportion and differences between Company contributions and proportionate share of contributions	2,350	10,822
Library contributions subsequent to the measurement date	27,308	-
Total	\$ 141,353	\$ 141,794

The \$27,308 reported as deferred outflows of resources related to OPEBs resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized as an increase (decrease) in OPEB expense as follows:

Year ending June 30,	
2020	\$ (4,329)
2021	(4,329)
2022	886
2023	(9,100)
2024	(9,076)
2025 and thereafter	(1,801)

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

Inflation	2.30%
Healthcare Cost Trend Rate	7.25%
Salary increases	3.30%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation

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

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Core Bonds	13.50%	1.35%
Cash Equivalent	1.00%	0.20%
High Yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real Estate	5.00%	4.85%
Real Return	15.00%	4.10%
Private Equity	<u>10.00%</u>	<u>6.65%</u>
Total	100.00%	3.89%

Discount rate—For CERS, the discount rate used to measure the total OPEB liability was 5.68%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions for future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Sensitivity of the Library’s proportionate share of net OPEB liability to changes in the discount rate—The following table presents the net OPEB liability of the Library, calculated using the discount rates selected by each OPEB system, as well as what the Library’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>Discount rate</u>	<u>Library’s proportionate share of net OPEB liability</u>
1% decrease	4.84%	\$ 494,629
Current discount rate	5.84%	\$ 369,242
1% increase	6.84%	\$ 265,927

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2020

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

	Library’s proportionate share of net OPEB liability
1% decrease	\$ 274,605
Current healthcare cost trend rate	\$ 369,242
1% increase	\$ 483,995

*OPEB plan fiduciary net position—*Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS. The reports are available on the Kentucky Retirement Systems website.

NOTE 10 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 11- CORONAVIRUS (COVID-19) IMPACT

Prior to the year ending June 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. The Organization was shut down to patrons from March 17, 2020 through June 8, 2020. The Organization let staff work from home other than eight people who were laid off. Several staff would rotate in to the building to operate their drive thru window service. At the current time the staff is still limited to 50% capacity due to government regulations. The extent to which COVID-19 may impact the Organization will depend on future developments and government regulations, which are highly uncertain and cannot be predicted. As a result, the Organization has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through December 19, 2020 , the date this report became available for issuance.

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

To the Board of Trustees
Pulaski County Public Library District
Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Pulaski County Public Library District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pulaski County Public Library District's basic financial statements, and have issued our report thereon dated December 19, 2020 .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pulaski County Public Library District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pulaski County Public Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pulaski County Public Library District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County Public Library District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC
CPAs & Trusted Advisors

Purpose of this Report

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

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
December 19, 2020

Pulaski County Public Library District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Taxing district revenues	\$ 2,570,000	\$ 2,570,000	\$ 2,720,153	\$ 150,153
Grant revenues	74,500	74,500	66,254	(8,246)
Investment income	2,300	2,300	3,038	738
Public support	5,000	5,000	39,414	34,414
Other revenues	44,000	44,000	-	(44,000)
Total Revenues	<u>2,695,800</u>	<u>2,695,800</u>	<u>2,828,859</u>	<u>133,059</u>
Expenditures				
Current				
Personnel expenses	1,153,552	1,153,552	1,073,880	79,672
Library materials	200,700	200,700	34,543	166,157
Repairs and maintenance	59,000	59,000	49,529	9,471
Telecommunication	159,200	159,200	82,642	76,558
Utilities	105,000	105,000	109,338	(4,338)
Insurance	31,000	31,000	41,170	(10,170)
Office supplies	17,000	17,000	7,921	9,079
Professional fees	73,000	73,000	82,458	(9,458)
Postage	5,000	5,000	3,326	1,674
Bookmobile	6,000	6,000	2,025	3,975
Staff development	10,600	10,600	7,539	3,061
Public relations	7,000	7,000	1,076	5,924
Grant expenses	5,000	5,000	-	5,000
Rent	9,600	9,600	9,600	-
Library supplies	7,000	7,000	3,905	3,095
Other expenses	12,000	12,000	16,129	(4,129)
Total Current Expenditures	<u>1,860,652</u>	<u>1,860,652</u>	<u>1,525,081</u>	<u>335,571</u>
Operating capital outlays	35,000	35,000	168,780	(133,780)
Debt service principal and interest	<u>778,000</u>	<u>778,000</u>	<u>773,007</u>	<u>(4,993)</u>
Total Expenditures	<u>2,673,652</u>	<u>2,673,652</u>	<u>2,466,868</u>	<u>206,784</u>
Net change in fund balance	22,148	22,148	361,991	339,843
Fund balance - beginning	<u>(161,931)</u>	<u>524,866</u>	<u>2,102,524</u>	
Fund balance - ending	<u>\$ (139,783)</u>	<u>\$ 547,014</u>	<u>\$ 2,464,515</u>	

See Independent Auditor's Report.

Pulaski County Public Library District
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability	0.021959%	0.022558%	0.022242%	0.020920%	0.021250%	0.021400%	0.021000%
Library's proportionate share of the net pension liability	\$ 1,544,383	\$ 1,373,851	\$ 1,301,984	\$ 1,030,197	\$ 913,782	\$ 694,297	\$ 716,227
Library's covered employee payroll	\$ 572,883	\$ 556,351	\$ 558,865	\$ 541,408	\$ 500,562	\$ 495,866	\$ 496,240
Library's share of the net pension liability as a percentage of its covered employee payroll	269.58%	246.94%	232.97%	190.28%	182.55%	140.02%	144.33%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	61.22%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions- Pension for any changes during the periods shown above.

The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

See Independent Auditor's Report.

Pulaski County Public Library District
Schedule of Pension Contributions
For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution	\$ 110,723	\$ 90,247	\$ 81,049	\$ 75,526	\$ 62,169	\$ 63,223	\$ 68,402	\$ 62,226
Contributions relative to contractually required employer contribution	<u>\$ 110,723</u>	<u>\$ 90,247</u>	<u>\$ 81,049</u>	<u>\$ 75,526</u>	<u>\$ 62,169</u>	<u>\$ 63,223</u>	<u>\$ 68,402</u>	<u>\$ 62,226</u>
Contribution deficiency (excess)			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 572,883	\$ 556,351	\$ 558,865	\$ 541,408	\$ 500,562	\$ 495,866	\$ 496,240	\$ 493,682
Employer contributions as a percentage of covered-employee payroll	19.33%	16.22%	14.50%	13.95%	12.42%	12.75%	13.78%	12.60%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions- Pension for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

See Independent Auditor's Report.

Pulaski County Public Library District
 Schedule of Changes in Benefits and Assumptions- Pension
 For the Year Ended June 30, 2020

County Employee Retirement System

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

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

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions – The actuarially determined contributions rates are determined on an annual basis beginning with the fiscal years ended 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2014 to a closed 28-year period. The following actuarial methods and assumptions were used to determine contribution rates reports in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	28 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

See Independent Auditor’s Report.

Pulaski County Public Library District
Schedule of Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2020, 2019, 2018, and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Library's proportion of the net OPEB liability	0.021959%	0.022557%	0.022242%	0.020920%
Library's proportionate share of the net OPEB liability	\$ 369,242	\$ 400,495	\$ 447,128	\$ 350,713
Library's covered employee payroll	\$ 572,883	\$ 556,351	\$ 558,865	\$ 541,408
Library's share of the net OPEB liability as a percentage of its covered employee payroll	64.45%	71.99%	80.01%	64.78%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%	55.24%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

See Independent Auditor's Report.

Pulaski County Public Library District
Schedule of OPEB Contributions
For the Years Ended June 30, 2020, 2019, 2018, and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 27,308	\$ 26,038	\$ 26,307	\$ 25,609
Contributions relative to contractually required employer contribution	<u>\$ 27,308</u>	<u>\$ 26,038</u>	<u>\$ 26,307</u>	<u>\$ 25,609</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Company's covered employee payroll	\$ 572,883	\$ 556,351	\$ 558,865	\$ 541,408
Employer contributions as a percentage of covered-employee payroll	4.77%	4.68%	4.71%	4.73%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions- OPEB for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

See Independent Auditor's Report.

Pulaski County Public Library District
Schedule of Changes in Benefits and Assumptions- OPEB
For the Year Ended June 30, 2020

County Employee Retirement System

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

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

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The actuarially determined contributions rates are determined on an annual basis beginning with the fiscal years ended 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2014 to a closed 28-year period. The following actuarial methods and assumptions were used to determine contribution rates reports in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	28 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

See Independent Auditor's Report.