

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



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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, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 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 October 5, 2021 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
October 5, 2021

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

Financial Highlights

- I. The Library spent approximately 1.22% 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 7.5% 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, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 11,212,477	\$ 11,432,409	\$ (219,932)
Other assets	3,178,546	2,522,659	655,887
Deferred outflows	551,718	492,063	59,655
Long-term liabilities	5,946,225	6,292,164	(345,939)
Current liabilities	821,059	777,422	43,637
Deferred inflows	153,823	223,496	(69,673)
Invested in fixed assets	6,874,626	6,432,659	441,967
Unrestricted net position	1,147,008	721,390	425,618

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Taxing district revenues	\$ 2,924,001	\$ 2,720,153	\$ 203,848
Grant revenues	57,641	66,254	(8,613)
Investment income	3,153	3,038	115
Public support	21,474	39,414	(17,940)
Other revenues	-	-	-
Total revenues	<u>3,006,269</u>	<u>2,828,859</u>	<u>177,410</u>
Personnel expenses	1,175,063	1,251,505	(76,442)
Library materials	35,761	34,543	1,218
Repairs and maintenance	60,187	49,529	10,658
Telecommunication	92,916	82,642	10,274
Utilities	101,432	109,338	(7,906)
Insurance	41,065	41,170	(105)
Office supplies	7,850	7,921	(71)
Professional fes	83,526	82,458	1,068
Postage	1,648	3,326	(1,678)
Bookmobile	2,013	2,025	(12)
Staff development	6,908	7,539	(631)
Public relations	1,524	1,076	448
Grant expenses	2,674	-	2,674
Rent	9,600	9,600	-
Library supplies	7,575	3,905	3,670
Other expenses	12,095	16,127	(4,032)
Interest expense	110,186	119,189	(9,003)
Depreciation expense	386,661	398,220	(11,559)
Total expenditures	<u>2,138,684</u>	<u>2,220,113</u>	<u>(81,429)</u>
Transfers from component unit	-	-	-
Change in net position	<u>\$ 867,585</u>	<u>\$ 608,746</u>	<u>\$ 258,839</u>

The Library's net position increased by approximately \$868,000 during this fiscal year. When compared to the prior year, the unrestricted net position increased by approximately \$426,000.

The Library's main source of revenue is property tax, which is approximately 97% of the Library's total revenue. This revenue increased by approximately 7.5% over the previous fiscal year. Other income sources included grants, donations, state aid, and fines and fees. Total operating expenses decreased by 3.7% from the previous fiscal year. The personnel expense is by far the largest expense and represents 55% of total operating expenditures – a little below the state average of 65.27%. Personnel expenditures decreased about 6% from the previous year.

Capital Asset Activity

Capital asset activity included the installation of a new roof on an ancillary 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 2021 – 2020		
	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 2,695,400	\$ 3,006,269	\$ 310,869
Personnel expenses	1,124,248	970,516	(153,732)
Library Materials	199,000	35,761	(163,239)
Repairs and maintenance	61,000	60,187	(813)
Telecommunication	128,000	92,916	(35,084)
Utilities	105,000	101,432	(3,568)
Insurance	31,000	41,065	10,065
Office supplies	11,000	7,850	(3,150)
Professional fees	80,000	83,526	3,526
Postage	-	1,648	1,648
Bookmobile	4,000	2,013	(1,987)
Staff development	11,200	6,908	(4,292)
Public relations	11,000	1,524	(9,476)
Grant expenses	1,000	2,674	1,674
Rent	9,600	9,600	-
Library supplies	6,000	7,575	1,575
Other expenses	12,000	12,095	95
Capital outlay	40,000	166,729	126,729
Debt service	772,086	772,085	(1)
Total Budgeted	<u>\$ 89,266</u>	<u>\$ 630,165</u>	<u>\$ 540,899</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 2021 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, 2021

	Primary Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	\$ 3,014,318	\$ 63,528
Investments	-	145,895
Taxes receivable	88,766	-
Prepaid insurance and expenses	60,462	-
Other assets	15,000	-
Fixed Assets:		
Depreciable buildings, property and equipment, net of depreciation	9,961,759	392
Land	1,250,718	-
Total Fixed Assets	11,212,477	392
Total Assets	14,391,023	209,815
Deferred Outflows of Resources:		
Subsequent pension & OPEB contributions	128,466	-
Deferred outflows related to pensions	204,706	-
Deferred outflows related to OPEB	218,546	-
Total Deferred Outflows of Resources	551,718	-
Total Assets and Deferred Outflows of Resources	\$ 14,942,741	\$ 209,815
Liabilities:		
Accounts payable	\$ 67,330	\$ -
Accrued expenses	11,536	-
Accrued interest payable	49,922	-
Current portion of compensated absences	5,000	-
Current portion of bond premium	34,258	-
Current portion of long-term debt	653,013	-
Long-Term Obligations:		
Compensated absences	43,791	-
Long-term debt	3,485,000	-
Bond premium	165,580	-
Net pension liability	1,712,734	-
Net OPEB liability	539,120	-
Total Liabilities	6,767,284	-
Deferred Inflows of Resources:		
Deferred inflows related to pensions	43,420	-
Deferred inflows related to OPEB	110,403	-
Total Deferred Inflows of Resources	153,823	-
Net Position:		
Unrestricted	1,147,008	209,423
Invested in fixed assets	6,874,626	392
Total Net Position	8,021,634	209,815
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,942,741	\$ 209,815

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, 2021

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	\$ (2,138,684)	21,474	14,641	43,000	\$ (2,059,569)	\$ -
Component Unit						
Pulaski County Public Library Foundation	\$ 1,466	-	4,229	-	\$ -	5,695
General Revenues:						
Taxing district revenues					\$ 2,924,001	\$ -
Investment income					3,153	10,904
Other income					-	4,525
Total general revenues					<u>2,927,154</u>	<u>15,429</u>
Change in net position					<u>867,585</u>	<u>21,124</u>
Net position - beginning					<u>7,154,049</u>	<u>188,691</u>
Net position - ending					<u>\$ 8,021,634</u>	<u>\$ 209,815</u>

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

Pulaski County Public Library District
Balance Sheet
Governmental Fund
June 30, 2021

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 3,014,318
Taxes receivable	88,766
Prepaid insurance and expenses	60,462
Other assets	15,000
Total Assets	\$ 3,178,546
Liabilities	
Accounts payable	\$ 67,330
Accrued expenses	11,536
Compensated absences	5,000
Total Liabilities	\$ 83,866
Fund Balances	
Nonspendable- prepaid insurance and expenses	\$ 60,462
Nonspendable- other assets	15,000
Assigned- Contingency Fund	718,645
Assigned- Emergency Fund	313,358
Committed- Capital Development	212,001
Unassigned	1,775,214
Total Fund Balances	\$ 3,094,680
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	\$ 11,212,477
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	(1,853,959)
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	(4,431,564)
Net position of governmental activities	\$ 8,021,634

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, 2021

	Governmental Fund
Revenues	
Taxing district revenues	\$ 2,924,001
Grant revenues	57,641
Investment income	3,153
Charges for services	21,474
Other revenues	-
	-
Total Revenues	3,006,269
Expenditures	
Personnel expenses	970,516
Library materials	35,761
Repairs and maintenance	60,187
Telecommunication	92,916
Utilities	101,432
Insurance	41,065
Office supplies	7,850
Professional fees	83,526
Postage	1,648
Bookmobile	2,013
Staff development	6,908
Public relations	1,524
Grant expenses	2,674
Rent	9,600
Library supplies	7,575
Other expenses	12,095
	12,095
Total Current Expenditures	1,437,290
Operating capital outlays	166,729
Debt Service	
Principal	661,899
Interest	110,186
	110,186
Total Expenditures	2,376,104
Net change in fund balance	630,165
Fund balance - beginning	2,464,515
Fund balance - ending	\$ 3,094,680

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, 2021

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	630,165
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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		166,729
Depreciation Expense		(386,661)

Governmental Funds report pension and OPEB related expenses of \$130,053. However, the Statement of Net Position reports pension and OPEB expenses calculated pursuant to GASB 68 and 75 of \$338,954.		(208,901)
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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		661,899
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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.		4,354
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Change in Net Position of Governmental Activities	\$	867,585
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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, 2021

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, 2021

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, 2021 was \$386,661.

Fund Balance

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

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

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

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

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

Unassigned – all other spendable amounts.

As of June 30, 2021, fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable- Prepaid insurance and expenses	\$ 60,462
Nonspendable- Other Assets	15,000
Assigned- Contingency Fund	718,645
Assigned- Emergency Fund	313,358
Committed- Capital Development	212,001
Unassigned	1,775,214

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

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, 2021 was as follows:

Category 1	\$	847,540
Category 2	\$	2,050,700
Category 3	\$	206,024

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, 2021, all investments are certificates of deposit and marketable debt and equity securities.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

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, 2021 are as follows:

	<u>Fair value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ -	\$ -	\$ -	\$ -
Debt and equity securities	145,895	145,895	-	-
Total	<u>\$ 145,895</u>	<u>\$ 145,895</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, 2021

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities	July 1, 2020	Increases	Decreases	June 30, 2021
Land	\$ 1,250,718	\$ -	\$ -	\$ 1,250,718
Books	1,385,754	139,984	-	1,525,738
Buildings and improvements	11,958,650	15,432	-	11,974,082
Equipment, furniture, and fixtures	1,523,003	11,313	-	1,534,316
Total at historical cost	<u>16,118,125</u>	<u>166,729</u>	<u>-</u>	<u>16,284,854</u>
Less accumulated depreciation	<u>4,685,716</u>	<u>386,661</u>	<u>-</u>	<u>5,072,377</u>
Capital assets – net	<u>\$ 11,432,409</u>	<u>\$ (219,932)</u>	<u>\$ -</u>	<u>\$ 11,212,477</u>
Component Unit	July 1, 2020	Increases	Decreases	June 30, 2021
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>3,910</u>	<u>609</u>	<u>-</u>	<u>4,519</u>
Capital assets – net	<u>\$ 1,001</u>	<u>\$ (609)</u>	<u>\$ -</u>	<u>\$ 392</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, 2021, the liability for these absences was \$48,791 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 \$165,000 are summarized as follows:

	Principal	Interest	Total
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>\$ 165,000</u>	<u>\$ 18,870</u>	<u>\$ 183,870</u>

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

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 \$3,965,000 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	685,000	42,000	727,000
June 2027	715,000	21,450	736,450
Total	<u>\$ 3,965,000</u>	<u>\$ 426,300</u>	<u>\$ 4,391,300</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 \$199,838.

	<u>Bond Premium</u>
June 2022	34,258
June 2023	34,258
June 2024	34,258
June 2025	34,258
June 2026	34,258
June 2027	28,548
Total	<u>\$ 199,838</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 \$8,013 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 2022	8,013	208	4,111
Total	<u>\$ 8,013</u>	<u>\$ 208</u>	<u>\$ 4,111</u>

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

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, 2020	\$ 45,688	\$ 4,765,654	\$ 234,096	\$ 1,544,383	\$ 369,242	\$ 6,959,063
Increase in liability	3,103	-	-	168,351	169,878	341,332
Decrease in liability	-	(627,641)	(34,258)	-	-	(661,899)
Payable at June 30, 2021	<u>\$ 48,791</u>	<u>\$ 4,138,013</u>	<u>\$ 199,838</u>	<u>\$ 1,712,734</u>	<u>\$ 539,120</u>	<u>\$ 6,638,496</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 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	720,000	43,295	34,258	763,295
June 2027	715,000	21,450	28,548	736,450
Total	<u>\$ 4,138,013</u>	<u>\$ 445,378</u>	<u>\$ 199,838</u>	<u>\$ 4,583,391</u>

NOTE 8 – PROPERTY TAX CALENDAR

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

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, 2021

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, 2021, the Library reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Library as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net pension liability	\$	1,712,734
Commonwealth's proportionate share of the CERS net pension liability for the Library's plan		7,668,204,477
		\$ 7,669,917,211

The net pension liability for each plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Library's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the Library's proportion was 0.022331%.

For the year ended June 30, 2021, the Library recognized pension expense of \$275,769 related to CERS. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 42,711	\$ -
Changes of assumptions	66,881	-
Difference between projected and actual earnings	74,244	31,383
Changes in proportionate share and differences between contributions and proportionate share of contributions	20,870	12,037
Contributions made subsequent to the measurement date	103,050	-
	\$ 307,756	\$ 43,420

The \$103,050 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized as an increase (decrease) in pension expense as follows on the next page.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Fiscal year ending June 30,	Increase (decrease) in pension expense
2022	\$ 71,313
2023	50,793
2024	21,966
2025	17,214
Total	\$ 161,286

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

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

For CERS, the mortality table used for active members is Pub-2010 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, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Core Bonds	13.50%	-0.25%
Cash Equivalent	1.00%	-0.75%
High Yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real Estate	5.00%	5.30%
Real Return	15.00%	3.95%
Private Equity	<u>10.00%</u>	<u>6.65%</u>
Total	100.00%	3.96%

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

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

	Discount rate	Library’s proportionate share of net pension
1% decrease	5.25%	\$ 2,112,217
Current discount rate	6.25%	\$ 1,712,734
1% increase	7.25%	\$ 1,382,011

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, 2021, the Library reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the Library as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net OPEB liability	\$	539,120
Commonwealth’s proportionate share of the CERS net OPEB liability for the Library's plan		2,414,156,764
		2,414,156,764
	\$	2,414,695,884

The net OPEB liability for each plan was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Library’s proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the Library’s proportion was 0.022331%.

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

NOTE 9 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the Library recognized OPEB expense of \$63,185 related to CERS. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 90,069	\$ 90,139
Changes of assumptions	93,768	570
Difference between projected and actual earnings	28,917	11,000
Changes in proportionate share and differences between contributions and proportionate share of contributions	5,792	8,694
Contributions made subsequent to the measurement date	25,416	-
	<u>\$ 243,962</u>	<u>\$ 110,403</u>

The \$25,416 reported as deferred outflows of resources related to OPEBs resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized as an increase (decrease) in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2022	\$ 28,985
2023	34,287
2024	24,130
2025	22,564
2026	(1,823)
2027 and thereafter	-
Total	<u>\$ 108,143</u>

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

Inflation	2.30%
Salary increases	3.30% to 11.55%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

For CERS, the mortality table used for active members is Pub-2010 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, projected 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, 2021

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

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

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

	Discount rate	Library’s proportionate share of net OPEB liability
1% decrease	4.34%	\$ 692,561
Current discount rate	5.34%	\$ 539,120
1% increase	6.34%	\$ 413,023

Pulaski County Public Library District
Notes to Financial Statements
June 30, 2021

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	\$ 417,383
Current healthcare cost trend rate	\$ 539,120
1% increase	\$ 686,764

*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

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

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through October 5, 2021 , the date this report became available for issuance.

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

To the Board of Trustees
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, 2021, 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 October 5, 2021.

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*.



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, Wanager, Noble & Company, PLLC

Craft, Wanager, Noble & Company, PLLC
Richmond, Kentucky
October 5, 2021

Pulaski County Public Library District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Taxing district revenues	\$ 2,600,000	\$ 2,600,000	\$ 2,924,001	\$ 324,001
Grant revenues	44,000	44,000	57,641	13,641
Investment income	2,400	2,400	3,153	753
Public support	5,000	5,000	21,474	16,474
Other revenues	44,000	44,000	-	(44,000)
Total Revenues	<u>2,695,400</u>	<u>2,695,400</u>	<u>3,006,269</u>	<u>310,869</u>
Expenditures				
Current				
Personnel expenses	1,124,248	1,124,248	970,516	153,732
Library materials	199,000	199,000	35,761	163,239
Repairs and maintenance	61,000	61,000	60,187	813
Telecommunication	128,000	128,000	92,916	35,084
Utilities	105,000	105,000	101,432	3,568
Insurance	31,000	31,000	41,065	(10,065)
Office supplies	11,000	11,000	7,850	3,150
Professional fees	80,000	80,000	83,526	(3,526)
Postage	-	-	1,648	(1,648)
Bookmobile	4,000	4,000	2,013	1,987
Staff development	11,200	11,200	6,908	4,292
Public relations	11,000	11,000	1,524	9,476
Grant expenses	1,000	1,000	2,674	(1,674)
Rent	9,600	9,600	9,600	-
Library supplies	6,000	6,000	7,575	(1,575)
Other expenses	12,000	12,000	12,095	(95)
Total Current Expenditures	<u>1,794,048</u>	<u>1,794,048</u>	<u>1,437,290</u>	<u>356,758</u>
Operating capital outlays	40,000	40,000	166,729	(126,729)
Debt service principal and interest	<u>772,086</u>	<u>772,086</u>	<u>772,085</u>	<u>(1)</u>
Total Expenditures	<u>2,606,134</u>	<u>2,606,134</u>	<u>2,376,104</u>	<u>230,030</u>
Net change in fund balance	89,266	89,266	630,165	540,899
Fund balance - beginning	<u>2,464,515</u>	<u>2,464,515</u>	<u>2,464,515</u>	
Fund balance - ending	<u>\$ 2,553,781</u>	<u>\$ 2,553,781</u>	<u>\$ 3,094,680</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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Library's proportion of the net pension liability	0.022331%	0.021959%	0.022558%	0.022242%	0.020920%	0.021250%	0.021400%	0.021000%
Library's proportionate share of the net pension liability	\$ 1,712,734	\$ 1,544,383	\$ 1,373,851	\$ 1,301,984	\$ 1,030,197	\$ 913,782	\$ 694,297	\$ 716,227
Library's covered employee payroll	\$ 533,941	\$ 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	320.77%	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	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%	61.22%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. See the following Schedule of Changes in Benefits and Assumptions- 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, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution	\$ 103,050	\$ 110,723	\$ 90,247	\$ 81,049	\$ 75,526	\$ 62,169	\$ 63,223	\$ 68,402	\$ 62,226
Contributions relative to contractually required employer contribution	<u>\$ 103,050</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 533,941	\$ 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	19.30%	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, 2021

County Employee Retirement System

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

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

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

2019

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

2017

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

2015

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

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

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	25 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

See Independent Auditor’s Report.

Pulaski County Public Library District
Schedule of Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2021, 2020, 2019, 2018, and 2017

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Library's proportion of the net OPEB liability	0.022331%	0.021959%	0.022557%	0.022242%	0.020920%
Library's proportionate share of the net OPEB liability	\$ 539,120	\$ 369,242	\$ 400,495	\$ 447,128	\$ 350,713
Library's covered employee payroll	\$ 533,941	\$ 572,883	\$ 556,351	\$ 558,865	\$ 541,408
Library's share of the net OPEB liability as a percentage of its covered employee payroll	100.97%	64.45%	71.99%	80.01%	64.78%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%	55.24%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above. The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.

See Independent Auditor's Report.

Pulaski County Public Library District
Schedule of OPEB Contributions
For the Years Ended June 30, 2021, 2020, 2019, 2018, and 2017

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 25,416	\$ 27,308	\$ 26,038	\$ 26,307	\$ 25,609
Contributions relative to contractually required employer contribution	<u>\$ 25,416</u>	<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>
 Company's covered employee payroll	 \$ 533,941	 \$ 572,883	 \$ 556,351	 \$ 558,865	 \$ 541,408
Employer contributions as a percentage of covered-employee payroll	4.76%	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, 2021

County Employee Retirement System

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

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

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

2020

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

2019

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

2017

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

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

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	25 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation