

MADISON COUNTY PUBLIC LIBRARY

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
Madison County Public Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Madison County Public Library, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Madison County Public Library, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 September 2, 2021 on our consideration of the Madison County Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison County Public Library's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
September 2, 2021

MADISON COUNTY PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Madison County Public Library'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 10% of its tax revenues on Library Materials.*
- II. The Library Board of Trustees voted to lower tax rates from the prior year: 5.7 cents per \$100 of valuation for real property and 7 cents per \$100 of valuation for personal property.*

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.

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	\$ 10,602,257	\$ 10,752,700	\$ (150,443)
Other assets	4,281,233	4,001,625	279,608
Deferred outflows	1,167,477	1,169,545	(2,068)
Long-term liabilities	10,374,008	10,165,425	208,583
Current liabilities	444,956	420,571	24,385
Deferred inflows	408,826	632,460	(223,634)
Invested in fixed assets	4,096,507	3,832,700	263,807
Unrestricted net position, as restated	726,670	872,714	(146,044)

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Taxing district revenues	\$ 3,648,077	\$ 3,287,792	\$ 360,285
Grant revenues	103,531	155,037	(51,506)
Investment income	27,121	71,675	(44,554)
Public support	6,624	28,424	(21,800)
Other revenues	40,697	50,714	(10,017)
Total revenues	3,826,050	3,593,642	232,408
Personnel expenses	2,343,345	2,195,315	148,030
Library materials	358,081	396,575	(38,494)
Telephone and utilities	74,207	81,243	(7,036)
Insurance	54,824	57,800	(2,976)
Public relations	23,367	24,427	(1,060)
Programming	26,744	33,193	(6,449)
Office supplies	12,421	21,863	(9,442)
Postage	5,093	5,604	(511)
Legal and accounting	30,565	36,369	(5,804)
Summer reading	12,139	6,714	5,425
Van and bookmobile operations	9,658	13,739	(4,081)
Staff education and dues	10,847	31,115	(20,268)
Computer expenses	31,981	72,289	(40,308)
Telecommunication	14,190	19,758	(5,568)
Other expenses	26,546	46,568	(20,022)
Grounds maintenance	28,480	19,438	9,042
Building maintenance	85,099	91,636	(6,537)
Equipment repairs and rental	19,366	21,025	(1,659)
Maintenance supplies	26,377	16,255	10,122
Interest	172,307	186,241	(13,934)
Depreciation	342,650	222,496	120,154
Total expenditures	3,708,287	3,599,663	110,283
Change in net position	\$ 117,763	\$ (6,021)	\$ 122,125

The Library's main source of revenue is property tax, which is approximately 95.35% of the Library's total revenue—slightly higher than the state average of 93.10%. Other income sources included grants, donations, state aid, and fines and fees. The personnel expense represents 66.19% of total operating – slightly above the state average of 65.27%.

Capital Asset Activity

The Richmond construction project, which started in Fall 2017, was fully completed in August 2020. This project included a remodel of the existing building, along with a new three-story addition. The addition includes two large community rooms, three meeting rooms, offices, a Bookmobile garage, and a Friends of the Library bookstore. Renovation in the existing building includes a fireplace, maker space, Kentucky room, quiet study rooms, a sun room, and new staff areas/offices. The construction project continues to bring about additional capital asset activity in Richmond primarily in the form of ongoing HVAC and plumbing repairs.

At the Berea location, capital projects centered on roof repair. Significant leaks were identified throughout the building, with a concentration in the theater and children's areas. Roof work was completed in the fall of 2020. Berea's geothermal HVAC system also required significant maintenance, including coil cleaning and the creation of access panels. The returns and vents were also cleaned.

In April, the library purchased a new Bookmobile, replacing the previous vehicle which had been in service since 2008. The new Bookmobile, a 2021 Dodge Promaster, is gas-powered, making maintenance more cost-efficient, and its sleek design allows for enhanced driveability. With a new, more flexible vehicle, the library plans to use the Bookmobile at festivals, outreach events, and programs such as drive-in movies. Outfitting of the new Bookmobile was donated by the Friends of the Library.

Budget Highlights

The library adopts an annual budget at the May or June Board meeting after it has been presented in April for discussion. The budget is done through a cooperative team of board members, library management, and the accountant. Several budget meetings are held prior to the April board meeting. 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 code based on the KY Model Procurement Code has been established by the Board to give direction to larger spending amounts.

The library operates 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. Overages or other variances are monitored monthly by the Board of Trustees. This budget monitoring is prior to any audit adjustments and reclassification of library charges out of correlating expense accounts.

This year's budget to actual shows a bit more variance than usual due primarily to the uncertainty and limitations brought about by the COVID pandemic. COVID-related service limits brought about reduced spending in nearly every category, especially in personnel, materials, and equipment expenditures. We operated under significantly reduced hours for the majority of FY21, which required fewer staff and also limited overall library usage.

Overages in building and grounds maintenance are the result of our first full year of operating in the new Richmond building, as well as the official conclusion of the Richmond construction project. HVAC issues lingered after the final sign off on construction and comprise the bulk of the overages in building maintenance. February's major ice storm created unforeseen expenditures in grounds maintenance. The large deficit in capital outlays was offset by transfers from the library's replacement and construction accounts, which covered the new Bookmobile and final construction expenditures respectively.

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	\$ 3,715,211	\$ 3,826,050	\$ 110,839
Personnel expenses	2,095,013	1,937,078	157,935
Library materials	387,000	358,081	28,919
Telephone and utilities	96,100	74,207	21,893
Insurance	60,000	54,824	5,176
Public relations	28,000	23,367	4,633
Programming	30,000	26,744	3,256
Office supplies	15,499	12,421	3,078
Postage	8,000	5,093	2,907
Legal and accounting	41,000	30,565	10,435
Summer reading	15,000	12,139	2,861
Van and bookmobile operations	19,000	9,658	9,342
Staff education and dues	8,000	10,847	(2,847)
Computer expenses	55,500	31,981	23,519
Telecommunication	52,500	14,190	38,310
Other expenses	62,200	26,544	35,656
Grounds maintenance	20,000	28,480	(8,480)
Building maintenance	65,000	85,099	(20,099)
Equipment repairs and rental	26,000	19,366	6,634
Maintenance supplies	25,000	26,377	(1,377)
Capital outlays	44,086	192,209	(148,123)
Debt service on bond issue	562,313	586,812	(24,499)
Total Budgeted	<u>\$ -</u>	<u>\$ 259,968</u>	<u>\$ 259,968</u>

Debt Administration

The library maintains a strict budget for the purpose of being able to meet their bond issue payments. These numbers are figured into the budget yearly. The library maintains restricted reserve accounts to meet replacement needs for equipment, cover at least six months of operation, and to save for future capital expansion and renovation. All debt is reducing per terms of applicable notes and bond issues. The terms of such are discussed thoroughly in the notes to the attached financial statements.

Economic Factors and Next Year's Budget

The uncertainty of the COVID pandemic factored largely into setting the FY21 budget, especially as we were largely unsure how revenue would be impacted. We budgeted for this uncertainty, significantly reducing our typical spending on summer reading, programming, materials, and staff education (due to the elimination of in-person conferences). After a slight delay in tax revenue receipts at the beginning of FY21, our revenue remained consistent, enabling us to adjust to pandemic limitations and keep demand for our services as steady as possible. Virtual and take home programming, our online services, and touch-free options for check out allowed us to continue serving the community within our resources.

Usage increased steadily in the spring of 2021. FY22's budget projects a return to more normal library usage and spending, with increases in most operational categories. Revenue, however, remains somewhat flat to last year due to the loss of state aid, and fewer fines assessed through COVID related amnesty programs. There are no anticipated significant capital expenditures for the year beyond regular building maintenance.

Contacting the Library Management

The financial report is designed to provide the citizens of Madison 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, Christina Cornelison, or the Treasurer, Jackie Couture.

Madison County Public Library
Statement of Net Position
June 30, 2021

Assets	
Cash and cash equivalents	\$ 2,742,249
Investments	1,415,287
Accounts receivable	95,789
Prepaid expenses	27,908
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	10,116,575
Land	<u>485,682</u>
Total Fixed Assets	<u>10,602,257</u>
Total Assets	14,883,490
Deferred Outflows of Resources:	
Subsequent pension & OPEB contributions	255,861
Deferred outflows related to pensions	431,686
Deferred outflows related to OPEB	<u>479,930</u>
Total Deferred Outflows of Resources	<u>1,167,477</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 16,050,967</u></u>
Liabilities:	
Accounts payable	\$ 35,971
Interest payable	13,485
Current portion of bonds payable	390,000
Current portion of compensated absences	5,500
Long-Term Obligations:	
Compensated absences	86,258
Bonds payable	6,115,750
Net pension liability	3,173,183
Net OPEB liability	<u>998,817</u>
Total Liabilities	10,818,964
Deferred Inflows of Resources:	
Deferred inflows related to pensions	160,129
Deferred inflows related to OPEB	<u>248,697</u>
Total Deferred Inflows of Resources	408,826
Net Position:	
Invested in fixed assets	4,096,507
Unrestricted	<u>726,670</u>
Total Net Position	<u>4,823,177</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 16,050,967</u></u>

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

Madison County Public Library
Statement of Activities
For The Year Ended June 30, 2021

				Net (Expense) Revenue and Changes in Net Position
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
Governmental activities				
Cultural and recreations	\$ (3,708,287)	12,164	110,155	\$ (3,585,968)
				General Revenues:
				Taxing district revenues
				\$ 3,648,077
				Investment income
				27,121
				Other income
				28,533
				<u>Total general revenues</u>
				3,703,731
				Change in net position
				117,763
				Net position - beginning
				4,705,414
				Net position - ending
				<u>\$ 4,823,177</u>

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

Madison County Public Library
Balance Sheet
Governmental Fund
June 30, 2021

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 2,742,249
Investments	1,415,287
Accounts receivable	95,789
Prepaid expenses	27,908
Total Assets	<u>\$ 4,281,233</u>
Liabilities	
Accounts payable	\$ 35,971
Compensated absences	5,500
Total Liabilities	<u>\$ 41,471</u>
Fund Balances	
Nonspendable	\$ 27,908
Committed - contingency fund	1,807,556
Committed - capital development fund	400,000
Assigned - depreciation fund	400,000
Assigned - construction fund	-
Unassigned	1,604,299
Total Fund Balances	<u>\$ 4,239,762</u>
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	\$ 10,602,257
Deferred outflows, inflows, net pension liability, and net OPEB liability 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	(3,413,349)
Certain liabilities (including net bonds and notes payable, capital leases and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	<u>(6,605,493)</u>
Net position of governmental activities	<u>\$ 4,823,177</u>

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

Madison County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2021

	<u>Governmental Fund</u>
Revenues	
Taxing district revenues	\$ 3,648,077
Grant revenues	103,531
Investment income	27,121
Public support	6,624
Other revenues	<u>40,697</u>
Total Revenues	<u>3,826,050</u>
Expenditures	
Personnel expenses	1,937,078
Library materials	358,081
Telephone and utilities	74,207
Insurance	54,824
Public relations	23,367
Programming	26,744
Office supplies	12,421
Postage	5,093
Legal and accounting	30,565
Summer reading	12,139
Van and bookmobile operations	9,658
Staff education and dues	10,847
Computer expenses	31,981
Telecommunication	14,190
Other expenses	26,544
Grounds maintenance	28,480
Building maintenance	85,099
Equipment repairs and rental	19,366
Maintenance supplies	<u>26,377</u>
Total Current Expenditures	2,787,061
Operating capital outlays	192,209
Debt Service	
Principal	414,250
Interest	<u>172,562</u>
Total Expenditures	<u>3,566,082</u>
Net change in fund balance	259,968
Fund balance - beginning	<u>3,979,794</u>
Fund balance - ending	<u><u>\$ 4,239,762</u></u>

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

Madison County Public Library
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	\$	259,968
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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		192,209
Depreciation Expense		(342,650)

Governmental Funds report pension and OPEB related expenses of \$260,490. However, the Statement of Net Position reports pension and OPEB related expenses pursuant to GASB 68 and 75 of \$660,651.		(400,161)
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Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		414,250
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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 and accrued interest expense.		(5,853)
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Change in Net Position of Governmental Activities	\$	117,763
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Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Madison County Public Library was created in 1987 as a taxing district. This public library district was formed by the Madison County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Madison County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. 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.

Basis of Presentation

The financial statements of the Madison 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.

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.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenses all books and materials as purchased and does not capitalize such items.

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 \$342,650.

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:

Nonspendable	\$	27,908
Committed - Contingency fund	\$	1,807,556
Committed - Capital development fund	\$	400,000
Assigned - Depreciation fund	\$	400,000
Assigned - Construction fund	\$	-
Unassigned	\$	1,604,299

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.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System 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. 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	\$	250,934
Category 2	\$	2,494,957
Category 3	\$	-

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements as of June 30, 2021 as current assets because they are available to meet current obligations. Investments consist of publicly traded bonds and notes. Market values and unrealized depreciation at June 30, 2021 are as follows:

<u>Type of Security</u>	<u>Cost</u>	<u>June 30, 2021</u> <u>Market Value</u>	<u>Unrealized</u> <u>(Depreciation)</u>
Bonds & Notes	\$ 1,365,368	\$ 1,415,287	\$ 49,919
	<u>\$ 1,365,368</u>	<u>\$ 1,415,287</u>	<u>\$ 49,919</u>

During the year ended June 30, 2021 the Organization recognized unrealized gains totaling \$25,155.

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.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

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>Description</u>	<u>June 30, 2021</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds & Notes	\$ 1,415,287	\$ -	\$ 1,415,287	\$ -

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

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
Land	\$ 485,682	\$ -	\$ -	\$ 485,682
Buildings	7,309,671	5,480,723	-	12,790,394
Furniture and equipment	1,292,738	96,022	-	1,388,760
Construction in progress	5,384,536	81,188	5,465,724	-
Total at historical cost	<u>14,472,627</u>	<u>5,657,933</u>	<u>5,465,724</u>	<u>14,664,836</u>
Less: Accumulated Depreciation				
Buildings	2,647,796	296,781	-	2,944,577
Furniture and equipment	1,072,133	45,869	-	1,118,002
Total accumulated depreciation	<u>3,719,929</u>	<u>342,650</u>	<u>-</u>	<u>4,062,579</u>
Capital assets – net	<u>\$ 10,752,698</u>	<u>\$ 5,315,283</u>	<u>\$ 5,465,724</u>	<u>\$ 10,602,257</u>

Madison County Public Library
Notes to Financial Statements
June 30, 2021

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 \$91,758 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

	Compensated Absences	Bond Payable	Net Pension Liability	Net OPEB Liability	Total
Payable at June 30, 2020	\$ 91,152	\$ 6,920,000	\$ 2,865,244	\$ 685,029	\$ 10,561,425
Increase in liability	606	-	307,939	313,788	622,333
Decrease in liability	-	(414,250)	-	-	(414,250)
Payable at June 30, 2021	<u>\$ 91,758</u>	<u>\$ 6,505,750</u>	<u>\$ 3,173,183</u>	<u>\$ 998,817</u>	<u>\$ 10,769,508</u>

NOTE 7 – ADVANCED REFUNDINGS AND DEFEASANCES

Series 2013

The Library issued \$2,205,000 of General Obligation Refunding Bonds, Series 2013, (advance refunding) dated March 27, 2013, with an average interest rate of 1.9% to refund \$2,660,000 of General Obligation Bonds, Series 2006B with an average interest rate of 3.825%. The Library will reduce its total debt service payments over the next 15 years by approximately \$1.08 million and obtain an economic gain of approximately \$160,000.

The proceeds from the refunding bonds have been deposited in an irrevocable trust at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

The maturities of bonds payable of \$445,750 are summarized as follows:

	Principal	Interest	Total
June 2022	\$ 235,000	\$ 2,400	\$ 237,400
June 2023	210,750	2,400	213,150
Total	<u>\$ 445,750</u>	<u>\$ 4,800</u>	<u>\$ 450,550</u>

Series 2016

The Library issued \$1,985,000 of General Obligation Refunding Bonds, Series 2016, (advance refunding) dated March 29, 2016, with an average interest rate of 2.056% to refund \$2,740,000 of General Obligation Bonds, Series 2006 with an average interest rate of 3.825%. The Library will reduce its total debt service payments over the next 15 years by approximately \$277,000 and obtain an economic gain of approximately \$234,000.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 7 – ADVANCED REFUNDINGS AND DEFEASANCES (CONTINUED)

The proceeds from the refunding bonds have been deposited in an irrevocable trust at commercial banks and invested in U.S. Government securities which, together with interest earned thereon, will provide amounts sufficient for future redemption or payment of principal and interest of the issues refunded. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the financial statements.

The maturities of bonds payable of \$1,375,000 are summarized as follows:

	Principal	Interest	Total
June 2022	\$ 125,000	\$ 29,875	\$ 154,875
June 2023	125,000	27,375	152,375
June 2024	135,000	24,775	159,775
June 2025	130,000	22,125	152,125
June 2026	135,000	19,475	154,475
June 2027 - 2031	725,000	46,187	771,187
Total	<u>\$ 1,375,000</u>	<u>\$ 169,812</u>	<u>\$ 1,544,812</u>

NOTE 8 – NOTES PAYABLE SERIES 2017

The Library issued \$4,810,000 of General Obligation Bonds, Series 2017, dated August 29, 2017, with an average interest rate of 2.846% to for the expansion of the Richmond branch of the Library. The bonds are for 20 years and have a maturity date of June 1, 2037.

The maturities of bonds payable of \$4,685,000 are summarized as follows:

	Principal	Interest	Total
June 2022	\$ 30,000	\$ 132,488	\$ 162,488
June 2023	35,000	131,888	166,888
June 2024	215,000	131,188	346,188
June 2025	225,000	126,888	351,888
June 2026	230,000	122,388	352,388
June 2027 - 2031	1,225,000	522,927	1,747,927
June 2032 - 2036	2,235,000	293,063	2,528,063
June 2037	490,000	15,920	505,920
Total	<u>\$ 4,685,000</u>	<u>\$ 1,476,750</u>	<u>\$ 6,161,750</u>

NOTE 9 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2021 were levied on October 1, 2020 on the assessed property located in Madison 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 Madison County and are due and collected in the birth month of the vehicle's licensee.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 10 – PUBLIC SUPPORT

Total public support (including Friends of the Madison County Public Library): \$ 6,624

The Friends of the Madison County Public Library Organization is a separate organization formed by individuals wishing to help the Madison County Public Library raise funds for various projects. The Friends Organization is not a part of the Madison County Public Library.

NOTE 11 – 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 at least 4 years of service and 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.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 11 – RETIREMENT PLAN (CONTINUED)

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

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	\$ 3,173,183
Commonwealth's proportionate share of the CERS net pension liability associated with the Library	<u>7,666,744,028</u>
	<u><u>\$ 7,669,917,211</u></u>

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 0.041373% percent.

For the year ended June 30, 2021, the Library recognized pension expense of \$530,246 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 79,132	\$ -
Changes of assumptions	123,911	-
Difference between projected and actual earnings	137,551	58,144
Changes in proportionate share and differences between contributions and proportionate share of contributions	91,092	101,985
Contributions made subsequent to the measurement date	<u>205,242</u>	<u>-</u>
	<u><u>\$ 636,928</u></u>	<u><u>\$ 160,129</u></u>

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 11 – RETIREMENT PLAN (CONTINUED)

The \$205,242 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 in pension expense as follows:

Fiscal year ending June 30,	Increase (decrease) in pension expense
2022	\$ 128,895
2023	70,228
2024	40,542
2025	31,892
Total	<u>\$ 271,557</u>

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, 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%	4.50%
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	10.00%	6.65%
Total	100.00%	3.96%

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 11 – 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%	\$ 3,913,338
Current discount rate	6.25%	\$ 3,173,183
1% increase	7.25%	\$ 2,560,474

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.

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	\$ 998,817
Commonwealth’s proportionate share of the CERS net OPEB liability associated with the Library	2,413,697,067
	<u>\$ 2,414,695,884</u>

The net OPEB liability for each plan was measured as of June 30, 2021, 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 0.041373% percent.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 12 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2021, the Library recognized OPEB expense of \$130,405 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	\$ 166,869	\$ 167,000
Changes of assumptions	173,723	1,056
Difference between projected and actual earnings	53,575	20,379
Changes in proportionate share and differences between contributions and proportionate share of contributions	85,763	60,262
Contributions made subsequent to the measurement date	50,619	-
	<u>\$ 530,549</u>	<u>\$ 248,697</u>

The \$50,619 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 in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2022	\$ 66,155
2023	75,979
2024	57,130
2025	38,145
2026	(6,176)
2027 and thereafter	-
Total	<u>\$ 231,233</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, project with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 11 – 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	10.00%	6.65%
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%	\$ 1,283,091
Current discount rate	5.34%	\$ 998,817
1% increase	6.34%	\$ 765,198

Madison County Public Library
Notes to Financial Statements
June 30, 2021

NOTE 11 – 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	\$ 773,276
Current healthcare cost trend rate	\$ 998,817
1% increase	\$ 1,272,351

*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 12 – 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 13- 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 14 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through September 2, 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
Madison County Public Library
Richmond, 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 Madison County Public Library, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Madison County Public Library's basic financial statements, and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2021-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Madison County Public Library's Response to Findings

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

Purpose of this Report

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

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
September 2, 2021

MADISON COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

FINDINGS- FINANCIAL STATEMENT AUDIT

2021-1

Criteria:

As discussed in *Standards for Internal Control in the Federal Government* published by the General Accounting Office of the United States, internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved. Organizations should implement procedures to ensure this objective is achieved.

Condition:

During the audit procedures performed, instances of this objective not being completely achieved were noted.

Cause:

The Library does not have appropriate procedures and adequate personnel in place to review their internal financial reporting.

Effect:

The Library did not have effective procedures in place to ensure that all accruals and adjustments that are needed have been appropriately recorded. Additionally, the Library's staff or contracted personnel did not collectively possess a full working knowledge of generally accepted accounting principles.

Organization Response and Corrective Action Plan:

Management is aware of the cause of these errors and has consulted with their external Certified Public Accountant to correct these errors going forward.

We did not audit the Library's response and, accordingly, we express no opinion on it.

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

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Taxing district revenues	\$ 3,513,111	\$ 3,513,111	\$ 3,648,077	\$ 134,966
Grant revenues	112,100	112,100	103,531	(8,569)
Investment income	10,000	10,000	27,121	17,121
Public support	10,000	10,000	6,624	(3,376)
Other revenues	70,000	70,000	40,697	(29,303)
Total Revenues	3,715,211	3,715,211	3,826,050	110,839
Expenditures				
Personnel expenses	2,095,013	2,095,013	1,937,078	157,935
Library materials	387,000	387,000	358,081	28,919
Telephone and utilities	96,100	96,100	74,207	21,893
Insurance	60,000	60,000	54,824	5,176
Public relations	28,000	28,000	23,367	4,633
Programming	30,000	30,000	26,744	3,256
Office supplies	15,499	15,499	12,421	3,078
Postage	8,000	8,000	5,093	2,907
Legal and accounting	41,000	41,000	30,565	10,435
Summer reading	15,000	15,000	12,139	2,861
Van and bookmobile operations	19,000	19,000	9,658	9,342
Staff education and dues	8,000	8,000	10,847	(2,847)
Computer expenses	55,500	55,500	31,981	23,519
Telecommunication	52,500	52,500	14,190	38,310
Other expenses	62,200	62,200	26,544	35,656
Grounds maintenance	20,000	20,000	28,480	(8,480)
Building maintenance	65,000	65,000	85,099	(20,099)
Equipment repairs and rental	26,000	26,000	19,366	6,634
Maintenance supplies	25,000	25,000	26,377	(1,377)
Total Current Expenditures	3,108,812	3,108,812	2,787,061	321,751
Operating capital outlays	44,086	44,086	192,209	(148,123)
Debt Service				
Debt service on bonds	562,313	562,313	586,812	(24,499)
Total Expenditures	3,715,211	3,715,211	3,566,082	149,129
Net change in fund balance	-	-	259,968	259,968
Fund balance - beginning	3,979,794	3,979,794	3,979,794	
Fund balance - ending	\$ 3,979,794	\$ 3,979,794	\$ 4,239,762	

See Independent Auditor's Report.

Madison County Public Library
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
Proportion of the net pension liability	0.041373%	0.040738%	0.045396%	0.036298%	0.040845%	0.039924%	0.038141%	0.038141%
Proportionate share of the net pension liability	\$ 3,173,183	\$ 2,865,244	\$ 2,764,755	\$ 2,123,656	\$ 2,011,075	\$ 1,714,560	\$ 1,237,085	\$ 1,396,313
Covered employee payroll	\$ 1,063,646	\$ 1,059,767	\$ 1,027,597	\$ 1,016,609	\$ 994,023	\$ 980,354	\$ 925,475	\$ 872,393
Share of the net pension liability as a percentage of its covered employee payroll	298.33%	270.37%	269.05%	208.90%	202.32%	174.89%	133.67%	160.06%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.34%	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 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.

Madison County Public Library
Schedule of Pension Contributions
For the Years Ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 and 2013

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required employer contribution	\$ 205,242	\$ 204,535	\$ 166,676	\$ 147,205	\$ 138,666	\$ 123,497	\$ 118,763	\$ 120,227	\$ 95,591
Contributions relative to contractually required employer contribution	<u>\$ 205,242</u>	<u>\$ 204,535</u>	<u>\$ 166,676</u>	<u>\$ 147,205</u>	<u>\$ 134,804</u>	<u>\$ 123,497</u>	<u>\$ 118,763</u>	<u>\$ 120,227</u>	<u>\$ 95,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 1,063,646	\$ 1,059,767	\$ 1,027,597	\$ 1,016,609	\$ 994,023	\$ 980,354	\$ 925,475	\$ 872,393	\$ 774,415
Employer contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.60%	12.83%	13.78%	12.34%

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.

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.

Madison County Public Library
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.

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

	2021	2020	2019	2018	2017
Proportion of the net OPEB liability	0.041373%	0.040738%	0.045396%	0.036298%	0.040845%
Proportionate share of the net OPEB liability	\$ 998,817	\$ 685,029	\$ 808,731	\$ 729,710	\$ 572,363
Covered employee payroll	\$ 1,063,646	\$ 1,059,767	\$ 1,027,597	\$ 1,016,609	\$ 994,023
Share of the net OPEB liability as a percentage of its covered employee payroll	93.91%	64.64%	78.70%	71.78%	57.58%
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.

Madison County Public Library
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	\$ 50,619	\$ 50,445	\$ 54,052	\$ 47,781	\$ 47,017
Contributions relative to contractually required employer contribution	<u>\$ 50,619</u>	<u>\$ 50,445</u>	<u>\$ 54,052</u>	<u>\$ 47,781</u>	<u>\$ 45,516</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,501</u>
Company's covered employee payroll	\$ 1,063,646	\$ 1,059,767	\$ 1,027,597	\$ 1,016,609	\$ 994,023
Employer contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.70%	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 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

See Independent Auditor's Report.

Madison County Public Library
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