

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY PUBLIC LIBRARY**

For The Fiscal Year Ended June 30, 2020

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY PUBLIC LIBRARY

For The Fiscal Year Ended June 30, 2020

Romaine & Towery, Certified Public Accountants has completed the audit of the Marshall County Public Library for the Fiscal Year Ended June 30, 2020. We have issued an unmodified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The public library had total assets of \$13,877,243 as of June 30, 2020. The public library had an unrestricted net position of (\$123,164) in its governmental activities as of June 30, 2020, with a total net position of \$4,400,756. The public library had total liabilities as of June 30, 2020 of \$9,476,487.

Deposits:

The Marshall County Public Library's deposits were insured and collateralized by bank securities.

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Independent Auditor's Report

To the Board of Trustees
Marshall County Public Library
Benton, Kentucky 42025

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Marshall County Public Library as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

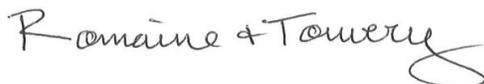
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7, the budgetary comparison information on page 39, schedules related to pensions on pages 42-44, and OPEB schedules on pages 46-48 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 a report dated January 21, 2021 on our consideration of the Marshall County Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marshall County Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall County Public Library's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants
Mayfield, KY
January 21, 2021

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

June 30, 2020

**Marshall County Public Library District
Management's Discussion and Analysis
Fiscal Year July 1, 2019 - June 30, 2020**

This discussion and analysis of the Marshall County Public Library District (the Library) is offered by management as a narrative overview of the financial activities of the Library for the fiscal year July 1, 2019 – June 30, 2020. This information should be considered in conjunction with the Library's financial statements, notes to financial statements, and additional information contained in the audit.

Report Layout

This report consists of the Management's Discussion and Analysis (MD&A), government-wide statements (Statement of Net Position and Statement of Activities), fund statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance), notes to the financial statements, and supplementary information. The Library's annual financial statements provide both long-term and short-term information about the Library's overall status. The Library operates as a single governmental entity. Governmental activities include basic services such as lending books and audio-visual materials; access to the Internet; reference services; programming for children, youth, and adults; database access; and other library services.

Basic Financial Statements

- The Statement of Net Position and the Governmental Fund Balance Sheet are presented in separate columnar format on a combined statement. The Statement of Net Position column focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of assets the Library owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and amounts unrestricted. The Statement of Net Position is reported on the accrual basis of accounting. The Governmental Fund Balance Sheet column reports only the current financial assets and liabilities of the Library. The Governmental Fund Balance Sheet is reported on the modified accrual basis of accounting.
- The Statement of Activities and Governmental Statement of Revenues, Expenditures and Changes in Fund Balance are presented in separate, columnar format on a combined statement. The Statement of Activities reports how the Library's net assets changed during the year. All revenues and expenses are included regardless when cash is received or paid. On the Governmental Statement of Revenues, Expenditures and Changes in Fund Balance revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when each liability is incurred, except for principal and interest on long-term debt which are reported when due.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Library's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. When possible, significant changes from the prior year are explained in the following paragraphs.

**Marshall County Public Library District
Management's Discussion and Analysis, Continued
Fiscal Year July 1, 2019 - June 30, 2020**

The following is a condensed version of the Statement of Net Position:

	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 2,087,969	\$ 5,269,455
Receivables	33,959	93,316
Prepaid expenses	4,644	23,667
Land, property, equipment, collection	11,105,960	8,028,691
Deferred amounts related to pension – outflows	456,563	501,881
Deferred amounts related to post-employment benefits - outflows	<u>188,148</u>	<u>160,036</u>
Total Assets	<u><u>\$ 13,877,243</u></u>	<u><u>\$ 14,077,046</u></u>
Liabilities:		
Accounts payable	\$ 192,806	\$ 392,871
Accrued expenses	182,589	184,856
Bonds payable	5,895,000	6,020,000
Bonds premium	31,223	32,338
Net pension liability	2,079,320	2,074,723
Net other post-employment benefits	497,152	604,906
Deferred amounts related to pension - inflows	315,150	269,809
Deferred amounts related to other post-employment benefits - inflows	<u>277,425</u>	<u>154,104</u>
Total Liabilities and Deferred Inflows	<u><u>\$ 9,476,487</u></u>	<u><u>\$ 9,733,607</u></u>
Net Assets:		
Capital assets	\$ 4,523,920	\$ 3,956,375
Unreserved	<u>(123,164)</u>	<u>387,064</u>
Total Net Position	<u><u>\$ 4,400,756</u></u>	<u><u>\$ 4,343,439</u></u>

The following is a condensed version of the Statement of Activities:

Revenues:		
Program revenues:		
Charges for services	\$ 11,193	\$ 18,067
Grants and contributions	23,242	26,244
General Revenues		
Taxes	2,338,293	2,270,527
Other	9,820	5,329
Interest	<u>48,826</u>	<u>119,187</u>
Total Revenues	\$ 2,431,374	\$ 2,439,354
Expenses:		
General government	<u>2,374,057</u>	<u>2,431,873</u>
Change in net position:	\$ 57,317	\$ 7,481
Beginning net position, restated	<u>4,343,439</u>	<u>4,335,958</u>
Net Position, end of year	<u><u>\$ 4,400,756</u></u>	<u><u>\$ 4,343,439</u></u>

**Marshall County Public Library District
Management’s Discussion and Analysis, Continued
Fiscal Year July 1, 2019 - June 30, 2020**

Governmental Activities

The Library’s governmental revenues totaled \$2,431,374 with the greatest revenue source being property taxes, which make up 96.2 percent of total governmental revenue. Property tax revenue had a 3 percent increase from the prior year. State and local grants represent 1 percent of total revenue, and charges for services represents 0.5 percent of total revenue, a small decrease from the prior year. Interest income had a substantial decrease of 59 percent from the prior year due to unused bond proceeds being spent on construction throughout the year, and makes up 2 percent of total revenue.

The Library incurred expenses of \$2,374,057 during the year, a 1.7 percent decrease over the prior year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services, and represents 58.3 percent of total governmental expenses.

Capital Assets

At June 30, 2020, the Library had \$2,374,057 invested in capital assets, including land, buildings, motor vehicles, furniture, equipment, and collection, a 38.3 percent increase from the prior year, due to the ongoing construction project.

Capital Assets at Year End:

Land	\$ 839,256
Buildings and improvements	4,238,211
Bookmobile	65,676
Construction in progress	6,582,040
Furniture and equipment	1,920,062
Print and non-print collection	<u>476,558</u>
Total	\$ 14,121,803
Less: Accumulated depreciation	<u>3,015,843</u>
Capital Assets, net	<u>\$ 11,105,960</u>

Budgetary Highlights

- Due to the Covid-19 pandemic, all branches of the Library were closed during the mandated quarantine from March 2020 - June 2020. Since that time, the Library has operated on reduced hours (Monday – Saturday, 9:00 a.m. – 5:00 p.m.) at all locations. While the Library was able to briefly open to in-person traffic during the summer and early fall months of 2020, we returned to curbside-only services in November 2020 due to the rise in positive cases in Marshall County. Predicting when the Library might fully open and be able to expand its hours is difficult at this stage of the pandemic.
- All budgets lines—especially Salary, Travel, and Supply and Programming—have been impacted by the Covid-19 pandemic. Restrictions placed on the number of employees who can be in the building has caused us to delay filling some positions that would be necessary for operations in normal circumstances. Travel outside of the county has ceased as of March 2020, however travel between branches to transit items back and forth continues to be a priority. In-person programming has ceased and been replaced with virtual and take-home options. The demand for PPE and disinfectants has been a significant expense.
- Technology expenses continue to rise as digital resources become the most accessible Library service during times of quarantine.
- Computer hardware and software continue to require updating. The Library strives to replace computer equipment over four years old on a regular basis at all locations.

**Marshall County Public Library District
Management's Discussion and Analysis, Continued
Fiscal Year July 1, 2019 - June 30, 2020**

Budgetary Highlights-Continued

- The new Benton branch was completed in February of 2020, and the move into the facility was completed in March 2020. The final bond disbursement was not made to Pinnacle, Inc. until August 2020.
- The building at 1003 Poplar Street that formerly housed the Benton branch is vacant and expected to go onto the market in early 2021. The building was rented in the fall of 2020 by the Marshall County Clerk's Office to store and tabulate mail-in voting.
- The Library's materials collection is constantly being weeded and updated with current titles as the demand for new print materials remains consistent despite the reduction in hours and services. The Library also continues to add eBooks and databases to its collection due to the increasing demand.
- The Library is currently only offering virtual and take-home programming options. A grant from the Kentucky Humanities Council was able to assist us in getting take-home programming off the ground when our Summer Reading plans were suddenly rendered impossible in 2020. We are continuing to grow our take-home programming options and have begun planning for how to reestablish in-person programming once it is safe to do so again.

Economic Environment and Next Year's Budgets and Rates

Despite the pandemic, the tax base is expected to remain steady. We expect there to be very little variation in our tax receipts from the 2019-2020 fiscal year to the 2020-2021 fiscal year. However, there is no way to accurately predict the long-term effects of the pandemic while it is still unclear how long it might continue to impact our economy.

The Director and Library Board are monitoring the increasing cost for participating in the Kentucky Retirement System. In response to the COVID crisis, contribution rates will remain at the same rate from 2019-2020 to 2020-2021, but are expected to increase another 12% annually for the next ten years.

Tax rates for the 2020-2021 fiscal year will be 9.4 for Real Property and 10.28 for Personal Property, which were calculated by the state as the compensating rates for this time period.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, and patrons with a general overview of the Library's finances, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have any questions about the report or need additional information, we welcome you to contact the Director at the address below.

Tammy Blackwell, Director
Marshall County Public Library System
1150 Birch Street
Benton, KY 42025

**MARSHALL COUNTY PUBLIC LIBRARY
LIST OF PUBLIC OFFICIALS AND STAFF**

June 30, 2020

MARSHALL COUNTY PUBLIC LIBRARY OFFICIALS
For The Year Ended June 30, 2020

Library Board Members:

Carolya Darnall	President
Allen Jones	Vice-President/Treasurer
Jeanna Lovett	Secretary
Paul Thurman	Treasurer
Lisa Carter	Member

Library Administration & Staff:

Tammy Blackwell	Director
Wesley Berhow	Branch Manager @ Calvert City
Deidra Tosh	Branch Manager @ Hardin
Lenisa Jones	Branch Manager @ Benton
Donna Nelson	Bookmobile Librarian
Ginger Russell	Reader Services Manager
Wes Smith	Technology Coordinator
Nick Adams	Digital Media Coordinator
Beth Farley	Bookkeeper
Ashley Hayden	Teen Services Librarian
Beth Kerrick	Children's Librarian @ Benton
Amanda Wiseman	Technical Services @ Benton
Debbie Farmer	Inter-Library Loan Librarian & Technical Services @ Benton
Tara Irvan	Technical Services @ Benton
Chandler McClard	Circulation @ Benton
Charla Cope	Circulation @ Benton
Emily Smith	Circulation @ Benton
Hayden Eubanks	Circulation @ Benton
Holly Reynolds	Circulation @ Benton
Venita Fritz	Circulation @ Benton
Carsyn Kortz	Circulation @ Benton
Emma Dittman	Circulation @ Benton
Sara Dittman	Children's Librarian @ Hardin
Jenny Calhoon	Technical Services @ Hardin
Sweeda Compton	Circulation @ Hardin
April Hannah	Circulation @ Hardin
Sidney Rudd	Circulation @ Hardin
Bonnie Sikes	Circulation @ Hardin
Hayley Fountain	Children's Librarian @ Calvert City
Emily McGill	Technical Services @ Calvert City
Janet Springer	Circulation @ Calvert City
Rita Smith	Circulation @ Calvert City/Hardin
Diane Bay	Circulation @ Calvert City
Jesse Burgess	Circulation @ Calvert City
Don Tubbs	Maintenance

**MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION**

June 30, 2020

MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 2,087,969
Receivables:	
Taxes	27,118
Other	6,841
Prepaid expenses	4,644
Total Current Assets	<u>2,126,572</u>
Noncurrent Assets:	
Capital assets	14,121,803
Less: Accumulated depreciation	<u>(3,015,843)</u>
Total Noncurrent Assets	<u>11,105,960</u>
Deferred Outflows:	
Deferred amounts related to pension	456,563
Deferred amounts related to other postemployment benefits	<u>188,148</u>
Total Deferred Outflows	<u>644,711</u>
Total Assets and Deferred Outflows	<u>\$ 13,877,243</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	\$ 192,806
Accrued compensated absences	145,760
Deferred revenues	5,822
Payroll liabilities	36,829
Current portion of outstanding bonds	<u>130,000</u>
Total Current Liabilities	<u>511,217</u>
Noncurrent Liabilities:	
Net pension liability	2,079,320
Net other postemployment benefits liability	497,152
Outstanding bonds, less current portion	5,765,000
Bonds premium	31,223
Total Noncurrent Liabilities	<u>8,372,695</u>
Deferred Inflows:	
Deferred amounts related to pension	315,150
Deferred amounts related to other post employment benefits	<u>277,425</u>
Total Deferred Inflows	<u>592,575</u>
Total Liabilities and Deferred Inflows	<u>\$ 9,476,487</u>
NET POSITION:	
Invested in capital assets, net of related debt	4,523,920
Unrestricted	
Unreserved	<u>(123,164)</u>
Total Net Position	<u>\$ 4,400,756</u>

**MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues Received		Net Expense (Revenue) and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
Education	\$ 2,374,057	\$ 11,193	\$ 23,242	\$ (2,339,622)
Total governmental activities	2,374,057	11,193	23,242	(2,339,622)
Total primary government	\$ 2,374,057	\$ 11,193	\$ 23,242	(2,339,622)
General revenues:				
Taxes				2,338,293
Investment earnings				48,826
Miscellaneous				9,820
Total general revenues				2,396,939
Change in net position				57,317
Net position at July 1, 2019				4,343,439
Net position at June 30, 2020				\$ 4,400,756

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

**MARSHALL COUNTY PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,087,969
Prepaid expenses	4,644
Receivables:	
Taxes	27,118
Other	6,841
Total Assets	\$ 2,126,572
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	192,806
Deferred revenue	5,822
Payroll liabilities	36,829
Total Liabilities	235,457
 Fund Balances	
Unassigned	1,891,115
Total Fund Balances	1,891,115
 Total Liabilities And Fund Balances	\$ 2,126,572

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

Total fund balance per fund financial statements	\$	1,891,115
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		11,105,960
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		141,413
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		(89,277)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(8,502,695)
Liabilities for compensated absences are reported in the statement of net assets when an employee is entitled to a compensated absence, but they are not reported in the fund financial statement until the financial resources are expended.		(145,760)
Net position of governmental activities	\$	4,400,756

**MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020**

	General Fund
OPERATING REVENUES	
Property taxes	\$ 2,338,293
State aid and other grants	23,242
Desk receipts	11,193
Interest	48,826
Other	9,820
Total Operating Revenues	2,431,374
EXPENDITURES	
Advertising	15,488
Bookmobile	2,075
Building and grounds maintenance	59,419
Electronic expense	55,779
Employee benefits	139,343
Collection-database & other	86,241
Continuing education	13,411
Dues, memberships and licenses	5,764
Insurance	45,961
Miscellaneous	3,138
Office and program supplies	48,272
Payroll taxes	68,967
Professional fees	18,397
Retirement plan	190,867
Salaries	904,391
Utilities and telephone	75,173
Debt Service:	
Principal	125,000
Interest and other charges	207,250
Capital outlay	
Building, equipment, expansion, upgrade	29,655
Land	10,000
Construction in progress	3,307,302
Print and non-print collection	85,944
Total Expenditures	5,497,837
Net Change in Fund Balances	(3,066,463)
Fund balances, July 1, 2019	4,957,578
Fund balances, June 30, 2020	\$ 1,891,115

**MARSHALL COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020**

**MARSHALL COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ (3,066,463)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	3,080,990
Adjusted basis on assets disposed during the year are not reported in governmental funds	(3,722)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of the governmental funds. Neither transaction however, has any effect on net position	
Bond principal payments	125,000
<p>Certain expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Increase in pension expense	(95,255)
Decrease in OPEB expense	12,545
Bond premium amortization	1,115
Change in compensated absences	<u>3,107</u>
Change in Net Position of Governmental Activities	<u><u>\$ 57,317</u></u>

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TO FINANCIAL STATEMENTS**

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MARSHALL COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The basic financial statements of the Marshall County Public Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Marshall County Public Library are described below.

B. Reporting Entity

The Marshall County Public Library was formed and operates as a public taxing district. The Marshall County Public Library was established in June, 1954 by the Marshall County Fiscal Court.

The Marshall County Public Library is considered a separate entity, not a component unit subject to inclusion in the financial statements of any other government unit. Criteria considered in determining the reporting entity include evaluating oversight responsibility, financial interdependence, selection of board members and management personnel, influence over operations and accountability for fiscal matters.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Library's operations include how the budget is adopted, whether debt is secured by general obligation of the Library, the Library's duty to cover any deficits that may occur and supervision over the accounting functions. Based on this, the primary government of the Library includes only the general fund.

As required by generally accepted accounting principles, these financial statements present the governmental activities of the Marshall County Public Library for the fiscal year ending June 30, 2020.

The Library does not have any discretely presented component units.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities. The Marshall County Public Library does not have any business-type activities.

The statement of activities demonstrates the degree to which direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days before the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following fund of the financial reporting entity:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government.

E. Assets, Liabilities and Net Position Or Equity

Cash and Investments

Cash consists entirely of amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the Marshall County Public Library. The Marshall County Public Library is permitted to invest in U.S. Treasury and Agency Obligations, certain other federal investments, repurchase agreements, the Commonwealth of Kentucky Investment Pool, and commercial banks' certificates of deposit.

Compensated Absences

Library employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when they are earned in the government-wide financial statements. A liability for these amounts is not reported in governmental funds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement elements represents a consumption of net position that applied to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has both deferred outflows and deferred inflows related to its pension plan and other postemployment benefits.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position Or Equity (Continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The Library proportionate share of pension amounts were further allocated to each participating employer based on the salaries paid by each employer. Pension investments are reported at fair value. Note 6 provides further detail on the net pension liability.

Net Other Postemployment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows or resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Library's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 6 provides further detail on the net OPEB liability.

Receivables and Payables

Property tax receivable is shown at the amount collected by county fee officials through June 30, 2020 and remitted to the Library thereafter for current taxes. Delinquent taxes are shown in receivables if received within 60 days after year end. Delinquent taxes not received within 60 days after year end are considered to be uncollectible. Property taxes are secured by a lien on the property, but uncollected amounts are fully reserved as of June 30.

Fixed Assets

General capital assets are reported in the governmental activities column of the government-wide statements of net position. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Fixed Assets Account Group. In accordance with provisions of GASB 34, the Library is not required to retroactively report infrastructure. Therefore, the Library has elected to only report infrastructure additions from July 1, 2003 forward.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The ranges of lives used for depreciation purposes for each class are as follows:

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position Or Equity (Continued)

Fixed Assets- (Continued)

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Buildings and Building Improvements	\$ 500	10-40
Furniture and Equipment	\$ 500	3-10
Print and Non-print Collections	\$ 500	3-5

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and repayment of principal and interest reported as expenditures.

Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the board using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the Board issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the Board has designated the clerk to carry out the intent of the council.

It is the policy of the board to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position Or Equity (Continued)

Fund Equity- (Continued)

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt- this category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted- this category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted- this resulting category presents the remaining library net assets and this measure of equity in unrestricted, legally or otherwise.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

F. Reconciliation of Governmental-Wide and Fund Financial Statements

The statements include reconciliation between fund balances in the governmental funds and net position reported in the government-wide statements. These adjustments reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. A similar reconciliation is included in the statements to reflect the transition from the modified accrual basis of accounting for governmental funds to the accrual basis of accounting for the statement of activities. Capital outlay is replaced with depreciation expense and principal payments are not reported as an expense.

Note 2. Deposits

The primary government and maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Note 2. Deposits (Continued)

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Property Taxes

Property taxes include amounts levied against all real and public utility property plus tangible personal property that is located within the Library's boundaries. All property taxes are levied as of July 1 based on the assessment values as of the previous January 1. Property taxes are due within 60 days after mailing by the sheriff's office. After that date, a penalty is imposed.

Assessed values are established by the County Property Valuation Administrator at 100% of appraised market value. The Library's tax rate applicable to the 2020 fiscal year was \$.094 per \$100 of assessed valuation for real estate and \$.097 for tangible personal property.

Note 4. Insurance

For the fiscal year ended June 30, 2020, Marshall County Public Library was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 5. Capital Assets

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

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Not Being Depreciated:				
Land	\$ 831,756	\$ 7,500	\$ -	\$ 839,256
Construction in Progress	4,072,316	2,509,724	-	6,582,040
Total Capital Assets Not Being Depreciated	4,904,072	2,517,224		\$ 7,421,296
Capital Assets, Being Depreciated				
Buildings and Improvements	4,238,211	-	-	4,238,211
Furniture and Equipment	1,220,531	814,798	49,592	1,985,738
Print, Non-print Collection	538,653	85,944	148,039	476,558
Total Capital Assets Being Depreciated	5,997,395	900,742	197,631	6,700,507
Less Accumulated Depreciation For:				
Buildings and Improvements	1,434,833	103,700	-	1,538,533
Furniture and Equipment	1,144,153	124,849	45,870	1,223,132
Print, Non-print Collection	293,790	108,427	148,039	254,178
Total Accumulated Depreciation	2,872,776	336,976	193,909	3,015,843
Total Capital Assets, Being Depreciated, Net	<u>\$ 8,028,691</u>	<u>\$ 3,080,990</u>	<u>\$ 3,722</u>	<u>\$ 11,105,960</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	<u>\$ 336,976</u>

Note 6. Employees Retirement System and Other Postemployment Benefits Plan

A. Plan Description

The Marshall County Public Library has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

A. Plan Description (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The library’s contribution rate for nonhazardous employees was 24.06 percent (19.30% allocated to pension and 4.76% allocated to OPEB) as set by KRS, respectively, of each nonhazardous employee’s creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member’s account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member’s salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. A member’s account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

A. Plan Description (Continued)

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county’s proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/employers/GASB/Pages/GASB-Library.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

B. Net Pension Liability

The Library’s net pension liability was determined by an actuarial valuation as of June 30, 2018 as rolled forward to the plan’s fiscal year end of June 30, 2019, using generally accepted actuarial principles. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary Increases	3.30 percent, average, including inflation
Investment Rate of Return	6.25 percent, net of pension plant investment expense including inflation
Payroll Growth Rate	2.00 percent

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-20111114 improvement scaled using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scaled using a base year of 2010.

Discount rate assumptions:

Discount rate: The discount rate used to measure the total pension liability was 6.25%.

Projected cash flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in anticipated gains on actuarial value of assets over the first four years of projection period.

Long term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2014 through 2019 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Note 6. Retirement Plan (Continued)

B. Net Pension Liability-Continued

Municipal bond rate: The discount rate determination does not use a municipal bond rate.

Periods of projected benefit payments: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Board’s allocated portion of the net pension liability (“NPL”) of the System, calculated using the discount rate of 6.25 percent, as well as what the Board’s allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage-point higher (7.25 percent) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Marshall County Library Net Pension Liability	\$ 2,600,639	\$ 2,079,320	\$ 1,644,805

Employer’s portion of the collective Net Pension Liability: The Library’s proportionate share of the Plan’s net pension liability, as indicated in the prior table, is \$2,079,320. The Library’s proportionated share of the CERS plan was approximately 0.02957% for Nonhazardous service employees. The liability was distributed based on 2019 actual employer contributions to the plan.

Measurement date: June 30, 2018 is the actuarial valuation date and June 30, 2019 is the measurement date upon which the total pension liability is based.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Changes in assumptions and benefit terms: Anticipated salary increases changed from 3.05% to 3.30%. There has been no change in benefit terms since House Bill 185. During the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for members who die in the line of duty.

Changes since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer’s reporting date.

Pension expense: The Library’s proportionated share of plan pension expense was \$248,362 for nonhazardous service employees.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The information below provides a summary of the deferred inflows and outflows.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 53,091	\$ 8,786
Difference between projected and actual investment earnings on Plan investments	39,915	73,434
Changes in proportion & differences between employers contributions and proportion share of contributions	-	232,930
Change of assumptions	210,451	-
Employer contributions subsequent to the measurement date	153,106	-
Total	<u>\$ 456,563</u>	<u>\$ 315,150</u>

Deferred inflows of resources resulting from the differences between projected and actual investments earnings in Plan investments, differences between expected and actual and changes in assumption are amortized over a five-year period.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

B. Net Pension Liability (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$153,106 will be recognized as a reduction of net pension liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending June 30	
2021	\$ 28,641
2022	(35,405)
2023	(7,307)
2024	2,378
	<u>\$ (11,693)</u>

C. Net Other Postemployment Benefits Liability

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) was determined by an actuarial valuation as of June 30, 2018, the total OPEB was rolled-forward from the valuation date to the measurement date of June 30, 2019, using generally accepted accounting principles. Using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30%, average
Investment rate of return	6.25%
Municipal bond index rate	
Prior measurement date	3.62%
Measurement date	3.13%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.85%
Measurement date	5.68%
Healthcare trend rates	
Pre-65	Initial trend starting at 7.0% 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 5.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

Note 6. Retirement Plan (Continued)

C. Net Other Postemployment Benefits Liability- (Continued)

There has been no change in benefit terms since House Bill 185. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used was a system-specific mortality table based on experience from 2013-2018, projected with the ultimate rates from MP-20111114 improvement scaled using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scaled using a base year of 2010.

Discount Rate Assumptions:

Discount Rate: The discount rate used to measure the total OPEB liability was 5.68%.

Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.

Long-Term Rate of Return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2014 through 2019 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.13% as reported in Fidelity Index's "20 – Year Municipal GO AA Index" as of June 30, 2019.

Period of Projected Benefit Payments: Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement systems. 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 benefits payments associated with the implicit subsidy.

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

C. Net Other Postemployment Benefits Liability- (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% based on a blending of the factors described above.

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate. The following presents the Board's allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the Board's allocated portion of the System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate for non-hazardous:

	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
Marshall County Public Library's Net OPEB Liability	\$ 665,979	\$ 497,152	\$ 358,050

The following presents the Board's allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate, as well as what the Board's allocated portion of the System'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 for non-hazardous:

	Decrease (1%)	Current Cost Trend Rate	Increase (1%)
Marshall County Public Library's Net OPEB Liability	\$ 369,735	\$ 497,152	\$ 651,661

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

C. Net Other Postemployment Benefits Liability- (Continued)

Employer’s Portion of the Collective OPEB Liability: The Board’s proportionate share of the net OPEB liability, as indicated in the prior table, is \$497,152, or approximately 0.02957%. The net OPEB liability was distributed based on 2019 actual employer contributions to the plan.

Measurement Date: June 30, 2018 is the actuarial valuation date, June 30, 2019 is the measurement date upon which the total pension liability is based.

Change in Assumption and Benefit Terms: The single discount rate for non-hazardous from 5.85% to 5.68%. The municipal bond rate changed from 3.62% to 3.13%. There has been no change in benefit terms since House Bill 185. During the 2018 legislative session, House bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net OPEB liability and the employer’s reporting date.

OPEB Expense: The Library was allocated OPEB expense of \$33,864 related to the CERS for the year ending June 30, 2019.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled as deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 150,002
Difference between projected and actual investment earnings on Plan investments	3,275	25,356
Changes in proportion & differences between employers contributions and proportion share of contributions	-	101,083
Change of assumptions	147,112	984
Employer contributions subsequent to the measurement date	37,761	-
Total	\$ 188,148	\$ 277,425

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 6. Retirement Plan (Continued)

C. Net Other Postemployment Benefits Liability- (Continued)

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$37,761 which include the implicit subsidy reported of \$10,765 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

Year Ending	
2021	\$ (24,362)
2022	(24,362)
2023	(17,342)
2024	(30,744)
2025	(25,007)
Thereafter	(5,221)
Total	<u>\$ (127,038)</u>

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

Note 7. Long-Term Debt

During 2018, the Library sold Marshall County Public Library General Obligation Bond, Series 2018, in the amount of \$6,130,000. The bonds were issued for the construction of a new facility. The bonds will bear interest rates of 3% to 4% and interest payments are to be made semiannually beginning December 1, 2018. Principal payments are to be made annually on June 1 with final payment due June 1, 2048. The bonds were issued at a premium, as of June 30, 2020 the amortized bond premium was \$31,223. Future bond maturities are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2021	\$ 130,000	\$ 203,500
2022	135,000	199,600
2023	140,000	195,550
2024	145,000	191,350
2025	150,000	187,000
2026-2030	800,000	866,000
2031-2035	945,000	726,900
2036-2040	1,145,000	525,750
2041-2045	1,365,000	308,788
2046-2048	940,000	66,675
Totals	<u>\$ 5,895,000</u>	<u>\$ 3,471,113</u>

MARSHALL COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2020

Note 7. Long-Term Debt (Continued)

Changes in Long-Term Debt

Changes in long-term debt for the year ended June 30, 2020 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	<u>\$ 6,020,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 5,895,000</u>	<u>\$ 130,000</u>
Total Long-term Debt	<u><u>\$ 6,020,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 125,000</u></u>	<u><u>\$ 5,895,000</u></u>	<u><u>\$ 130,000</u></u>

Note 8. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 21, 2021, the date financial statements were available to be issued.

**MARSHALL COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE
Required Supplemental Information
For The Year Ended June 30, 2020**

	Original	Final	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 2,192,775	\$ 2,278,775	\$ 2,338,293	\$ 59,518
State grants	18,000	18,000	23,242	5,242
Desk receipts	18,000	15,000	11,193	(3,807)
Interest	35,000	45,000	48,826	3,826
Other	-	-	9,820	9,820
TOTAL REVENUES	<u>2,263,775</u>	<u>2,356,775</u>	<u>2,431,374</u>	<u>74,599</u>
EXPENDITURES:				
Current:				
Advertising	15,000	16,000	15,488	512
Bookmobile expense	6,500	6,500	2,075	4,425
Electronic expense	59,000	59,000	55,779	3,221
Building and grounds maintenance	69,000	79,000	59,419	19,581
Employee benefits	151,500	142,500	139,343	3,157
Collection-database & other	110,000	110,000	86,241	23,759
Continuing education	15,000	18,000	13,411	4,589
Dues and licenses	-	6,000	5,764	236
Insurance	50,000	50,000	45,961	4,039
Miscellaneous	2,500	2,250	3,138	(888)
Office and program supplies	45,750	50,000	48,272	1,728
Payroll taxes	74,000	74,000	68,967	5,033
Professional fees	21,100	24,000	18,397	5,603
Retirement plan	182,500	193,500	190,867	2,633
Salaries	901,875	921,975	904,391	17,584
Utilities and telephone	83,800	83,800	75,173	8,627
Debt Service:				
Principal	125,000	125,000	125,000	-
Interest and other charges	207,250	207,250	207,250	-
Capital outlay:				
Building, equipment, expansion, upgrade	13,000	30,000	29,655	345
Land	26,000	26,000	10,000	16,000
Construction in progress	3,838,000	3,610,000	3,307,302	302,698
Print and non-print collection	97,000	96,000	85,944	10,056
TOTAL EXPENDITURES	<u>6,093,775</u>	<u>5,930,775</u>	<u>5,497,837</u>	<u>432,938</u>
Revenues over (under) expenditures	(3,830,000)	(3,574,000)	(3,066,463)	507,537
Net change in fund balance	(3,830,000)	(3,574,000)	(3,066,463)	507,537
Fund Balance, July 1, 2019	<u>4,957,578</u>	<u>4,957,578</u>	<u>4,957,578</u>	-
FUND BALANCE, JUNE 30, 2020	<u>\$ 1,127,578</u>	<u>\$ 1,383,578</u>	<u>\$ 1,891,115</u>	<u>\$ 507,537</u>

MARSHALL COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Budgetary Information

The annual budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget is submitted to the Board of Trustees, which revises and adopts the budget prior to the beginning of the fiscal year. The budget is presented in summary form to minimize necessary amendments; however, it also contains more detailed line item amounts for administrative control. Amendments may be adopted during the year as necessary to comply with KRS 91A.030.

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
NET PENSION LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
NET PENSION LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE COUNTY RETIREMENT SYSTEM
Required Supplemental Information
For The Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Net Pension Liability for County Employees Retirement System	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000
Employer's Proportion (Percentage) of Net Pension Liability	0.02957%	0.03407%	0.03669%	0.03831%	0.03524%	0.03415%
Employers Proportion (Amount) of Net Pension Liability	\$ 2,079,320	\$ 2,074,723	\$ 2,147,344	\$ 1,886,168	\$ 1,514,964	\$ 1,108,000
Employer's Covered-Employer payroll	\$ 793,296	\$ 745,764	\$ 840,584	\$ 897,093	\$ 911,660	\$ 822,254
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	262.11%	278.20%	255.46%	210.25%	166.18%	134.75%
Total Pension Plan's Fiduciary Net Position	\$ 7,159,921	\$ 7,018,963	\$ 6,687,237	\$ 6,141,394	\$ 6,440,800	\$ 6,528,146
Total Pension's Plan Pension Liability	\$ 14,192,966	\$ 13,109,268	\$ 12,540,545	\$ 11,065,013	\$ 10,740,325	\$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

Notes:

- 1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
- 2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, governments should present information for those years which information is available.
- 3) Changes in Assumptions and Benefit Terms: See notes to the basic financial statements

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
CONTRIBUTIONS BASED ON PARTICIPATION IN
THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
CONTRIBUTIONS BASED ON PARTICIPATION IN
THE COUNTY RETIREMENT SYSTEM
Required Supplemental Information
For The Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution for pension	\$ 153,106	\$ 120,963	\$ 121,717	\$ 167,577	\$ 155,536	\$ 145,028
System's contributions in relation to the statutorily required contribution	<u>(153,106)</u>	<u>(120,963)</u>	<u>(121,717)</u>	<u>(167,577)</u>	<u>(155,536)</u>	<u>(145,028)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>					
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 793,296	\$ 745,764	\$ 840,584	\$ 897,093	\$ 911,660	\$ 822,254
Contributions as a percentage of its covered employee payroll	19.30%	16.22%	14.48%	18.68%	17.06%	17.64%

Note: This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years, will be added to this schedule in future fiscal years until ten years of information is available.

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
NET OPEB LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
NET OPEB LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
For The Year Ended June 30, 2020**

	2020	2019	2018
Total Net OPEB Liability for County Employees Retirement System	\$ 1,681,954,950	\$ 1,775,480,122	\$ 2,010,342,054
Employer's Proportion (Percentage) of Net OPEB Liability	0.02956%	0.03407%	0.03669%
Employers Proportion (Amount) of Net OPEB Liability	497,152	604,906	737,514
Employer's Covered-Employer payroll	793,296	745,764	840,584
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	62.67%	81.11%	87.74%
Total Plan's Fiduciary Net Position	\$ 2,569,511	\$ 2,414,126	\$ 2,212,535,662
Total OPEB Liability	\$ 4,251,466	\$ 4,189,606	\$ 4,222,877,716
Total Plan's Fiduciary Net Position as a Percentage to Total OPEB Liability	60.4%	57.6%	52.4%

Notes:

- 1) The amounts presented for each fiscal year were determined as of the year end which is the valuation date of the related liability
- 2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is compiled, governments will present information for those years which information is available.
- 3) Changes in Assumptions and Benefit terms: See notes to the basic financial statements

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
OPEB CONTRIBUTIONS BASED ON PARTICIPATION
IN THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION**

For The Year Ended June 30, 2020

**MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF MARSHALL COUNTY PUBLIC LIBRARY'S
OPEB CONTRIBUTIONS BASED ON PARTICIPATION
IN THE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
For The Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution for pension	\$ 37,761	\$ 39,227	\$ 39,507
System's contributions in relation to the statutorily required contribution	<u>(37,761)</u>	<u>(39,227)</u>	<u>(39,507)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%
System's Covered-Employee payroll	\$ 793,296	\$ 745,764	\$ 840,584
Contributions as a percentage of its covered employee payroll	4.76%	5.26%	4.70%

Note: This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

**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***



**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
Marshall County Public Library

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 the Marshall County Public Library for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marshall County Public Library's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

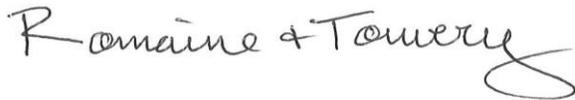
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Public Library's financial statements for the year ended June 30, 2020, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on the 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*.

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

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.

A handwritten signature in cursive script that reads "Romaine & Tourey". The signature is written in dark ink and is positioned above the printed name of the firm.

Certified Public Accountants
January 21, 2021
Mayfield, KY