

**MARION COUNTY
PUBLIC LIBRARY
AUDIT REPORT
JUNE 30, 2025**

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INDEPENDENT AUDITOR'S REPORT

June 12, 2026

Board of Directors
Marion County Public Library
Lebanon, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Public Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Marion County Public Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Public Library as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Marion County Public Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2025, the District adopted new guidance, GASB statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marion County Public Library's ability to continue as a going concern for twelve months beyond the financial statement state, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marion County Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marion County Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, schedules of the library's proportionate share of net pension liabilities, and the schedules of the library's proportionate share of net other post-employment benefits on pages 4 through 8 and pages 32 through 35 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 June 12, 2026 on our consideration of Marion 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 Marion County Public Library's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

MARION COUNTY PUBLIC LIBRARY
Lebanon, KY
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

This section of the Marion County Public Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the transmittal letter at the end of this report and the Library's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending unrestricted cash balance for the Public Library account was \$1,187,410.
- A separate account was opened in FY16-17 to hold the income from the Public Library Building Grant provided by the State. This account had a balance of \$147,855. The account is non-interest bearing and funds may only be utilized to pay the debt payments associated with the building project.
- A separate account was opened in FY 17-18 to hold proceeds from Bonds sold to fund the construction project. This account had a balance of \$3,651. The account is interest bearing and funds may only be utilized to pay for expenses associated with the building project.
- The Public Library had a total of \$1,195,246 of revenue for the year ended June 30, 2025.
- The Public Library received a significant bequest of \$348,399 during the year ended June 30, 2024. The bequest required an endowment be established. Thus, the Public Library Board voted to turn the funds over to the Central Kentucky Community Foundation, a foundation whose purpose is to manage funds such as this. The funds are still reserved for the benefit of the Library. The funds are invested and the value of the account is growing. See Note 10 to the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of four parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Library.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Library's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Library's government, reporting the Library's operations in more detail than the government-wide statements.
- The government fund statements tell how the Library's related activities were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains how the required parts of this annual report are arranged and are related to one another.

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities according to generally accepted accounting principles.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

ADDITIONAL FINANCIAL INFORMATION

The Marion County Public Library is a Special Purpose Government Entity authorized under KRS 173.720. The Library Board sets and approves the budget based on the annual fiscal year starting July 1st running through June 30th. The Governing Board is a five-member board with fixed terms as specified by law.

Over the course of the year, the Board monitors the budget. The estimated 2020 census shows a county population of 19,581. Marion County maintains a relatively low tax rate of 45 cents per \$100 assessed value for real property and 45 cents per \$100 assessed value for personal property in 2024-2025.

During the fiscal year 2024-2025, Marion County Public Library received \$1,195,246 of total revenue. Of that amount, \$1,001,604 was from tax revenue. We received about 84% of the total revenue from local property, vehicle, and other taxes. As of June 30, 2025, the Library District had an available operating cash balance of \$1,187,410.

In the 2016-17 FY the library was awarded a state funded Public Library Building Grant. Grant holdings must be held in an account separate of (non-interest bearing) the operating fund. The balance on this account was \$147,855 on June 30, 2025. These funds may only be utilized in paying towards the bond payments associated with the Building Project that began its construction phase in December 2017.

In the 2017-18 FY the library received Bond Proceeds to fund the Building Project. These proceeds are held in an account separate of the operating fund. The balance in the account was \$3,651 on June 30, 2025. These funds may only be utilized in paying costs associated with the Building Project.

Total cash, restricted cash, and certificates of deposit at June 30, 2025 were \$1,338,916.

The library receives its tax income in uneven amounts. A large portion of the tax income is received when the real estate property taxes are collected and distributed sometime in the final calendar quarter of the year. The rest of the income comes in unequally and usually diminishing amounts throughout the year. Some of the apparent surplus is actually needed to tide us over well into the next fiscal year, as our fiscal year ends in June, but the majority of the tax receipts are not available to the Library until November and December. Any additional savings surplus becomes available for the library to use for capital improvements. It also serves as an emergency/contingency fund.

The Library's fund financial statements show expenditures of \$1,106,296 for FY 2024-2025. The breakout of the expenditures shows 48% (\$526,408) went toward payroll and related expenses. Debt service including interest made up 17% (\$192,419) of expenses. A total of 17% (\$186,471) of the expenditures went toward the purchase of materials, including books and audiovisual materials, and supplies. A total of 18% (\$200,998) went toward other library and bookmobile operations.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Net position may serve over time as a useful indicator of a governmental agency's financial position. In the case of the Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,509,086 as of June 30, 2025.

A portion of the Library's net position reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment). The Library holds these capital assets to provide basic, needed library services; consequently, these assets are not available for future spending.

The Library's financial position is the product of several financial transactions including the net results of activities, the acquisition of capital assets, and the depreciation of capital assets.

Net Position for the period ended June 30, 2025 and June 30, 2024:

	<u>2025</u>	<u>2024</u>
Current Assets	1,342,712	1,222,737
Non-current Assets	<u>3,006,579</u>	<u>3,108,932</u>
Total Assets	4,349,291	\$4,331,668
Deferred Outflows (Pension and other post-employment benefits)	<u>151,499</u>	<u>213,372</u>
Total Assets and Deferred Outflows	<u>\$4,500,790</u>	<u>\$4,545,041</u>
Current Liabilities	174,664	138,489
Non-current Liabilities	<u>2,543,920</u>	<u>2,733,727</u>
Total Liabilities	2,718,584	2,872,216
Deferred Inflows (Pension and other post-employment benefits)	<u>273,120</u>	<u>373,747</u>
Total Liabilities and Deferred Inflows	<u>\$2,991,704</u>	<u>\$3,245,963</u>
Net Position		
Investment in capital assets (net of debt)	819,596	800,538
Restricted for Construction	3,651	3,631
Restricted for Debt Service	147,855	121,841
Unrestricted	<u>537,984</u>	<u>373,068</u>
Total Net Position	<u>\$1,509,086</u>	<u>\$1,299,078</u>
Total Liabilities, Deferred Liabilities, and Net Position	<u>\$4,500,790</u>	<u>\$4,545,041</u>

Comments on Current Year / Prior Year Comparison

- The Library's total assets at June 30, 2025 were \$4,349,291 compared to \$4,331,668 in the prior year. This is an increase of \$17,623 primarily related to an increase in ending operating cash.
- The Library's total liabilities as June 30, 2025 were \$2,718,584 compared to \$2,872,216 in the prior year. This is a decrease of \$153,632. The primary changes are the reduction in bonds payable and net pension and net other post-employment benefits liabilities.

Comments on Budget Comparisons

- The Library's total General Fund revenues for the fiscal year ended June 30, 2025, were \$1,195,246. Original budgeted revenues for the same period were \$1,070,829 a favorable variance of \$124,417. This variance is mostly from increased tax revenue and special grants received.
- Original budgeted expenditures were \$1,070,829 compared to actual expenditures of \$1,106,296, an unfavorable variance of \$36,467 primarily due to additional capital outlay and contract service costs incurred.
- The Library's total fund revenues exceeded total fund expenditures by \$88,950.

The following table presents changes in net position for the fiscal years ended June 30, 2025 and June 30, 2024:

	<u>2025</u>	<u>2024</u>
Program Revenues:		
Charges for Services	\$10,301	\$ 10,327
Operating Grants and Contributions	30,819	44,356
Capital Grants and Contributions	54,799	404,804
General Revenues:		
Taxes:		
Property	688,987	640,514
Motor Vehicle	48,088	48,637
Franchise	257,618	225,522
Other	6,911	7,589
Miscellaneous	5,850	8,382
Earning on investments	1,072	136
Grants	90,801	90,695
Total Revenues	<u>\$1,195,246</u>	<u>\$ 1,480,962</u>
Library	910,690	822,493
Interest on Long-Term Debt	74,548	78,158
Donor Expenses	0	348,399
Total Expenses	<u>\$985,238</u>	<u>\$ 1,249,050</u>
Change in Net Position	<u>\$ 210,008</u>	<u>\$ 231,912</u>

Comments on Current Year / Prior Year Comparison

- Current year revenues totaled \$1,195,246 compared to prior year total revenues of \$1,480,962 a decrease of \$285,716. This decrease is primarily due to the receipt of a one-time donation in 2024.
- Current year expenditures totaled \$985,238 compared to prior year expenditures of \$1,249,050, a decrease of \$263,812. This decrease is primarily due to the additional Donor expenses occurring in 2024.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2025 the Library had \$4.3 million invested in land, buildings, equipment, and vehicles. The table below shows fiscal year 2025 and 2024 balances.

Capital Assets at June 30, 2025 and 2024 Net of Depreciation

	Governmental Activities	
	2025	2024
Land	108,578	108,578
Buildings and improvements	2,727,999	2,817,419
Equipment & Furnishings	165,673	175,558
Intangible Right of Use	4,329	7,377
Total	3,006,579	3,108,932

Changes in Capital Assets for the periods ended June 30, 2025 and 2024

	Governmental Activities	
	2025	2024
Beginning Balance	3,108,932	3,229,413
Additions	34,880	20,457
Retirements	0	0
Depreciation	(137,233)	(140,938)
Ending Balance	3,006,579	3,108,932

Debt

At June 30, 2025, the Library had \$2,225,000 in bonds outstanding. \$145,600 will be received each year for the next 13 years to assist the Library with these debt payments. A total of \$125,000 is due within one year.

If you have any questions about this report or need addition financial information contact Jamie Collins, Director, at Marion County Public Library, 201 East Main Street, Lebanon KY 40033; 270-692-4698.

MARION COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2025

Assets

Current Assets

Cash	1,187,410
Cash - Restricted for Construction	3,651
Cash - Restricted for Debt Service	147,855
Accounts Receivable	3,796
Total Current Assets	<u>1,342,712</u>

Noncurrent Assets

Intangible Right of Use Assets - Net of Amortization	4,329
Property and Equipment (Note 3)	
Land	108,578
Buildings and Improvements	3,684,206
Furnishings and Equipment	529,501
Less: Accumulated Depreciation	<u>(1,320,035)</u>
Total Noncurrent Assets	<u>3,006,579</u>

Total Assets	4,349,291
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Deferred Outflows Related to Other Post Employment Benefits	38,068
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Deferred Outflows Related to Pensions	<u>113,431</u>
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Total Assets and Deferred Outflows	<u><u>4,500,790</u></u>
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Liabilities

Current Liabilities:

Accounts Payable	19,739
Payroll Liabilities	8,786
Note Payable - Equipment	17,710
Lease Liability	3,429
Bonds Payable	125,000
Total Current Liabilities	<u>174,664</u>

Long-Term Liabilities:

Lease Liability	587
Bonds Payable	2,057,967
Compensated Absences	1,505
Net Other Post Employment Benefits Liability	(14,428)
Net Pension Liability	498,289
Total Long-Term Liabilities	<u>2,543,920</u>

Total Liabilities	2,718,584
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Deferred Inflows Related to Other Post Employment Benefits	165,642
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Deferred Inflows Related to Pensions	<u>107,478</u>
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Total Liabilities and Deferred Inflows	2,991,704
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Net Position

Investment in Capital Assets, Net of Related Debt	819,596
Restricted for Construction	3,651
Restricted for Debt Service	147,855
Unrestricted	537,984

Total Net Position	<u>1,509,086</u>
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Total Liabilities, Deferred Inflows and Net Position	<u><u>4,500,790</u></u>
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See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

FUNCTION/PROGRAMS	<u>EXPENSES</u>	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:						
Library	910,690	10,301	30,819		(869,570)	(869,570)
Interest on Long-Term Debt	74,548			54,799	(19,749)	(19,749)
TOTAL GOVERNMENTAL ACTIVITIES	<u>985,238</u>	<u>10,301</u>	<u>30,819</u>	<u>54,799</u>	<u>(889,319)</u>	<u>(889,319)</u>
GENERAL REVENUES:						
Taxes:						
Property					688,987	688,987
Motor Vehicle					48,088	48,088
Franchise					257,618	257,618
Other					6,911	6,911
Investment Earnings					1,072	1,072
State Grants					90,801	90,801
Miscellaneous					5,850	5,850
TOTAL GENERAL & SPECIAL					<u>1,099,327</u>	<u>1,099,327</u>
CHANGE IN NET POSITION					210,008	210,008
NET POSITION - BEGINNING OF YEAR					<u>1,299,078</u>	<u>1,299,078</u>
NET POSITION - ENDING					<u>1,509,086</u>	<u>1,509,086</u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUND
JUNE 30, 2025

	<u>General Fund</u>
<u>Assets</u>	
Cash	1,187,410
Cash - Restricted for Construction	3,651
Cash - Restricted for Debt Service	147,855
Accounts Receivable	<u>3,796</u>
Total Assets	<u><u>1,342,712</u></u>
<u>Liabilities</u>	
Payroll Liabilities	8,786
Accounts Payable	19,739
Note Payable - Equipment	<u>17,710</u>
Total Liabilities	46,235
<u>Fund Balance</u>	
Restricted for Construction	3,651
Restricted for Debt Service	147,855
Unassigned	<u>1,144,971</u>
Total Fund Balance	<u><u>1,296,477</u></u>
Total Liabilities and Fund Balance	<u><u>1,342,712</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

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

TOTAL GOVERNMENTAL FUND BALANCE	1,296,477
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Intangible Right of Use Assets	50,639
Accumulated Amortization	(46,310)
Cost of Capital Assets	4,322,285
Accumulated Depreciation	<u>(1,320,035)</u>
	3,006,579
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.	113,431
Deferred Outflows Related to Other Post Employment Benefits are not a current asset and therefore are not reported as assets in governmental funds.	38,068
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Lease Liability	(4,016)
Bonds Payable	(2,225,000)
Compensated Absences	(1,505)
Unamortized Bond Discount	42,033
Net Other Post Employment Benefits	14,428
Net Pension Liability	(498,289)
Deferred Inflows Related to Other Post Employment Benefits are not a current liabilities and therefore are not reported as liabilities in governmental funds.	(165,642)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.	<u>(107,478)</u>
TOTAL NET POSITION - GOVERNMENTAL	<u><u>1,509,086</u></u>

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>
<u>General Revenues</u>	
Tax Revenue:	
Property	688,987
Motor Vehicle	48,088
Franchise	257,618
Other	6,911
Desk Receipts	10,301
Contributions	9,691
Intergovernmental - State Support	145,600
Grant Revenue	21,128
Miscellaneous	5,850
Interest Income	1,072
Total General Revenues	1,195,246
<u>Expenditures/Program Expenses</u>	
Library:	
Books, Materials & Supplies	186,471
Payroll and Related Expenses	526,408
Bookmobile Expense	2,801
Maintenance	39,180
Utilities	26,801
Contract Services	55,843
Professional Development	14,362
Miscellaneous	4,493
Capital Outlay	34,880
Insurance & Workmans Comp	22,638
Total Library	913,877
Debt Service	
Principal	120,000
Interest	72,419
Total Expenditures/Program Expenses	1,106,296
Net Change in Fund Balance	88,950
Fund Balance - Beginning of Year	1,207,527
Fund Balance - End of Year	1,296,477

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2025

NET CHANGES - GOVERNMENTAL FUNDS 88,950

Governmental funds report capital outlays as expenditures because they use current financial resources. 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 depreciation expense exceeds capital for the year.

Capital Outlays	34,880	
Lease Amortization Expense	(3,048)	
Depreciation Expense	<u>(134,185)</u>	
		(102,353)

Bond proceeds and leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond Principal Payments	120,000	
Lease Principal Payments	<u>3,279</u>	
		123,279

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Amortization Bond Discount	(1,868)	
Library Pension Contributions	54,218	
Cost of Benefits Earned Net of Employee Contributions - Pensions	(628)	
Library Other Post Employment Benefits Contributions	0	
Cost of Benefits Earned Net of Employee Contributions - OPEBS	49,915	
Compensated Absences	<u>(1,505)</u>	

CHANGES - NET POSITION GOVERNMENTAL FUNDS 210,008

See independent auditor's report and accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of the Marion County Public Library have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Library are described below.

A. Reporting Entity

The Marion County Public Library (Library) is a special taxing Library of Marion County, Kentucky. A Board appointed by the Marion County Fiscal Court governs the activities of the Library. Board members serve four-year terms, which expire at different intervals.

B. Fixed Assets

Property, plant, and equipment are stated at historical cost. Assets are depreciated on a straight-line method. The Library does not capitalize Library books. They are deemed to have a useful life of less than three years. All Library books acquired are considered a period expense at the time of acquisition. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Vehicles	5-10 years
Equipment	10-12 years
Furniture and fixtures	5-10 years

C. Measurement Focus, Basis Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied. The government-wild financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues for the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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. Available means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Notes to Financial Statements (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Library's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned, as they are needed.

D. Budgetary Data

The Library Board adopts an annual budget following the procedures established pursuant to Section 65A.020 of the Kentucky Revised Statutes. The annual budget is prepared and adopted on a basis of accounting consistent with the fund basis of accounting. Revenues are budgeted by source and expenditures are budgeted by class. Budget revisions are subject to final review by the Library Board.

E. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Library classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Library Director.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Library uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the Library would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The Library does not have a formal minimum fund balance policy.

F. Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Notes to Financial Statements (Continued)

G. Pensions

County Employees Retirement System - 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 CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred outflows. If amounts will increase pension expense the amounts 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 expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

H. Postemployment Benefits Other Than Pensions

County Employees Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, 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.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts 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 expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

I. Cash and Investments

Investments are reported at fair value, which is determined using selected basis. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amounts, which reasonably estimate fair value. The Library considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Notes to Financial Statements (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Property Tax Revenues

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General fund.

The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$0.045 per \$100 valuation for real property, \$0.045 per \$100 valuation for business personal property, and \$0.0219 per \$100 valuation for motor vehicles.

The Library levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

L. Program Revenues

Program revenues for the Library include charges for services such as book fines, copier charges, and program fees; operating grants and contributions; and capital grants and contributions

M. Changes in Accounting Policies

Effective July 1, 2024, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* which establishes recognition and measurement criteria for liabilities associated with leave benefits earned by employees. Beginning net position was not restated as a result of implementation given the immateriality of the adjustment. See Note 6.

NOTE 2 – RETIREMENT PLAN

The Library's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification.

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

Notes to Financial Statements (Continued)

System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 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
Tier 4	Participation date	After January 1, 2022
	Reduced retirement	Hybrid Plan with Defined Benefits and a self-fund supplemental plan

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

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

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

Library's proportionate share of the CERS net pension liability	\$ 498,289
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The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Notes to Financial Statements (Continued)

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, 2024, the Library's proportion was 0.008332% percent.

For the year ended June 30, 2025, the Library recognized pension expense of \$628 related to CERS. At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	24,118	-
Changes of assumptions	-	22,513
Net difference between projected and actual earnings on pension plan investments	34,221	66,259
Changes in proportion and differences between Library contributions and proportionate share of contributions	874	18,706
Library contributions subsequent to the measurement date	54,218	-
Total	<u>113,431</u>	<u>107,478</u>

\$54,218 of the amount 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	(30,781)
2027	1,972
2028	(12,316)
2029	(7,140)
2030	0

County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Inflation rate	2.50%
Payroll Growth Rate	2.0% for CERS Nonhazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous
Investment Rate of Return	6.50% for CERS Nonhazardous

Notes to Financial Statements (Continued)

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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 target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

For CERS the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Bonds	10.00%	2.85%
Specialty Credit / High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.0%	5.75%

Discount rate—For CERS, the projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362 (passed in 2018) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the Annual Comprehensive Financial Report (ACFR).

Sensitivity of CERS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District'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:

Notes to Financial Statements (Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.50%	6.50%	7.50%
Library's proportionate share of net pension liability	642,376	498,289	378,735

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.

NOTE 3 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

County Employees' Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School Library are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Burgin Independent School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member's initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Notes to Financial Statements (Continued)

<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, 0.00% of the gross annual payroll of members was contributed for the year ended June 30, 2024 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. An additional 1.00% is contributed by employees hired on or after September 1, 2008.

At June 30, 2025, the Marion County Public Library reported a liability of \$ (14,428) for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the Library. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the Library's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2025, the Library's proportion was .008341 percent, compared to .008737 percent at June 30, 2024.

The amount recognized by the Library as its proportionate share of the OPEB liability, the related State 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 net OPEB liability \$ (14,428)

For the year ended June 30, 2025, the Library recognized OPEB expense of \$(49,915). At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Notes to Financial Statements (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,005	\$ 113,522
Changes of assumptions	13,074	10,181
Net difference between projected and actual earnings on pension plan investments	12,683	25,849
Changes in proportion and differences between Library contributions and proportionate share of contributions	395	16,090
Library contributions subsequent to the measurement date	3,911	-
Total	<u>38,068</u>	<u>165,642</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$3,911 totaling \$3,911 will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Library's OPEB expense as follows:

Year ended June 30:

2025	(55,746)
2026	(40,274)
2027	(33,207)
2028	(2,258)
Thereafter	-

Actuarial assumptions: The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth Rate	2.00% for CERS Nonhazardous
Investment rate of return	6.50%
Salary Increases	3.30% to 10.30%, varies by service for CERS Nonhazardous
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Post - 65	Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table for Nonhazardous, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

Notes to Financial Statements (Continued)

Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan and from 5.97% to 6.02% for the hazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare health care costs. The total OPEB liability as of June 30, 2024, is determined using these updated assumptions. There have been no plan provisions that materially impact the total OPEB liability since June 30, 2023.

Discount Rate: The single discount rate of 5.99% for CERS Nonhazardous was used to measure the total OPEB liability as of June 30, 2024. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%. Based on the assumptions and the projection of cash flows as of the fiscal year end, the plans fiduciary net position and future contributions were projected separately and were 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 plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The target allocation and best estimates of arithmetic real rate of return for each major asset are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.0%	

Notes to Financial Statements (Continued)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.99% as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	7.26%
Library's proportionate share of net OPEB liability	19,509	(14,428)	(42,963)

Sensitivity of the Library's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the Library's proportionate share of the collective net OPEB liability, as well as what the Library's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net OPEB liability	(34,713)	(14,428)	9,202

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

Notes to Financial Statements (Continued)

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance 7/1/2024	Additions	Deletions	Balance 6/30/2025
Non-depreciable Assets:				
Land	108,578	-	-	108,578
Depreciable Assets:				
Building	3,684,206	-	-	3,684,206
Library Equipment & Furnishings	494,621	34,880	-	529,501
Intangible Right of Use Asset -Copiers	50,639	-	-	50,639
Totals at Historical Cost	<u>4,338,044</u>	<u>34,880</u>	<u>-</u>	<u>4,372,924</u>
Less Accumulated Depreciation & Amortization for:				
Building	866,787	89,420	-	956,207
Library & Equipment & Furnishings	319,063	44,765	-	363,828
Intangible Right of Use Asset-Copiers	43,262	3,048	-	46,310
Total Accumulated Depreciation	<u>1,229,112</u>	<u>137,233</u>	<u>-</u>	<u>1,366,345</u>
Fixed Assets Net	<u>3,108,932</u>	<u>(102,353)</u>	<u>-</u>	<u>3,006,579</u>
Depreciation Expense Charged to Governmental Functions as Follows:				
Library				134,185
Amortization Expense Charged to Governmental Functions as Follows:				
Library				<u>3,048</u>
Total Depreciation & Amortization				<u>137,233</u>

No interest was capitalized for the year ended June 30, 2025.

NOTE 5 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the Library's total cash and cash equivalents were \$1,338,916. Of the total cash balance, \$607,590 was covered by Federal Depository Insurance and \$425,639 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the Library's name, and the remaining \$305,097 was uncollateralized at June 30, 2025. \$590 was held at the library as petty cash.

Cash and cash equivalents at June 30, 2025, consisted of the following:

	Bank Balance	Book Balance
U.S. Bank	375,469	375,469
Farmers National Bank	862,284	855,266
Peoples Bank	107,591	107,591
Petty Cash	<u>-</u>	<u>590</u>
Total	<u>1,345,344</u>	<u>1,338,916</u>

Notes to Financial Statements (Continued)

NOTE 6 – COMPENSATED ABSENCES

The Library recognizes liabilities for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. This standard requires the District to record a liability for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. Types of compensated absences include vacation leave, sick leave, personal leave, and other paid time off as defined by The Library policies & procedures. The liability is measured using current pay rates. The liability reflects both unused leave expected to be paid and leave used but not yet paid. The Library evaluates usage patterns and payout eligibility annually to determine the “more than likely than not” threshold.

NOTE 7 – LONG-TERM LIABILITIES

On December 20, 2017, the Library issued \$3,020,000 in Revenue Bonds with an average interest rate of 3.5 percent to fund the Library addition and renovation.

The Library, through the General Fund is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on the bonds. The Library has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Library was awarded a grant by the Kentucky Department of Library Archives (KDLA). The Library will receive 20 annual payments of \$145,600. These funds are restricted for debt service for the payment of these revenue bonds issues for the renovation of the Library. The payments cease at the end of fiscal year 2037.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the Library, including amounts to be paid with funds received from the KDLA Grant, at June 30, 2025, for debt service (principal and interest) are as follows:

Notes to Financial Statements (Continued)

Year	Principal	Interest	Annual Total
2025-26	125,000	68,743	193,743
2026-27	130,000	64,918	194,918
2027-28	135,000	60,944	195,944
2028-29	135,000	56,894	191,894
2029-30	140,000	52,769	192,769
2030-31	145,000	48,494	193,494
2031-32	150,000	44,069	194,069
2032-33	155,000	39,397	194,397
2033-34	160,000	34,475	194,475
2034-35	165,000	29,294	194,294
2035-36	170,000	23,850	193,850
2036-37	175,000	18,244	193,244
2037-38	35,000	14,788	49,788
2038-39	35,000	13,563	48,563
2039-40	35,000	12,338	47,338
2040-41	35,000	11,113	46,113
2041-42	40,000	9,800	49,800
2042-43	40,000	8,400	48,400
2043-44	40,000	7,000	47,000
2044-45	45,000	5,513	50,513
2045-46	45,000	3,938	48,938
2046-47	45,000	2,363	47,363
2047-48	45,000	788	45,788
	<u>2,225,000</u>	<u>631,691</u>	<u>2,856,691</u>

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance 7/1/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
Governmental Activities:					
Bonds Payable	2,345,000		(120,000)	2,225,000	125,000
Less: Bond Discount	<u>(43,901)</u>		<u>1,868</u>	<u>(42,033)</u>	
Net Revenue Bond Payable	2,301,099	-	(118,132)	2,182,967	125,000
Compensated Absences	-	1,505	-	1,505	-
Lease Payable	7,295		(3,279)	4,016	3,429
Net Other Postemployment Benefits Liability	(12,063)		(2,365)	(14,428)	-
Net Pension Liability	<u>560,675</u>	-	<u>(62,386)</u>	<u>498,289</u>	-
Total Long-Term Liabilities	<u>2,857,006</u>	<u>1,505</u>	<u>(186,162)</u>	<u>2,672,349</u>	<u>128,429</u>

Notes to Financial Statements (Continued)

NOTE 8 – LEASES: COPIERS

During the year ended June 30, 2025, the lease commitment for two copiers matured. Those copiers remain in the Library's possession.

During 2024, the Library became committed under a new noncancellable operating lease for a large format printer with a monthly payment of \$295.00. The total lease liability measured at present value is \$9,917. The ending balance at June 30, 2025 is \$4,329. The Library has recognized an intangible right of use asset for the term of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2026	3,429	111
2027	587	3
	<u>4,016</u>	<u>114</u>

The following assets and amortization have been recognized.

Intangible Right of Use Asset – Copiers	\$ 50,639
Accumulated Amortization	<u>(46,310)</u>
Net Ending Balance	<u>4,329</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through June 12, 2026. There are no material subsequent events to disclose.

NOTE 10 – BEQUEST AND ENDOWMENT

In a prior year, the Library received notice that it had been named as a beneficiary of an estate. To receive the funds, the Library was instructed that it had to create an endowment. Rather than try to create a new endowment fund, the Library became aware of an outside organization that will manage such funds, the Central Kentucky Community Foundation. In 2024, the funds were received in the amount of \$348,399. On the same day, a contribution to the Central Kentucky Community Foundation was made for the exact amount of the contribution. The Foundation manages the funds and invests those funds. The Library does not own the funds but is the 100% beneficiary of the funds. At June 30, 2025, the invested funds had an ending market value of \$452,297.

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY PUBLIC LIBRARY
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	894,179	894,179	1,001,604	107,425
Intergovernmental - State Support	155,600	155,600	145,600	(10,000)
Charges for Services	11,750	11,750	10,301	(1,449)
Other Revenues	5,800	5,800	36,669	30,869
Interest	3,500	3,500	1,072	(2,428)
Total Revenues	1,070,829	1,070,829	1,195,246	124,417
<u>Expenses</u>				
Books, Materials & Supplies	182,467	182,467	186,471	(4,004)
Payroll and Related Expenses	525,912	525,912	526,408	(496)
Bookmobile Expense	5,400	5,400	2,801	2,599
Maintenance	45,300	45,300	39,180	6,120
Utilities	30,000	30,000	26,801	3,199
Contract Services	16,000	16,000	55,843	(39,843)
Professional Development	8,500	8,500	14,362	(5,862)
Insurance	26,874	26,874	22,638	4,236
Capital Outlay	6,000	6,000	34,880	(28,880)
Debt Service	220,000	220,000	192,419	27,581
Contingency & Misc.	4,376	4,376	4,493	(117)
Total Expenditures	1,070,829	1,070,829	1,106,296	(35,467)
Excess Revenue over Expenditures	-	-	88,950	88,950
Fund Balance - Beginning of Year			1,207,527	
Fund Balance - End of Year			1,296,477	

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2017	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of net pension liability	0.010700%	0.011016%	0.011593%	0.011200%	0.010499%	0.009436%	0.008674%	0.008738%	0.008332%
District's proportionate share of the net pension liability	526,324	644,800	706,049	787,701	805,265	601,619	627,045	560,675	498,289
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-	-	-	-	-
TOTAL	<u>\$ 526,324</u>	<u>\$ 644,800</u>	<u>\$ 706,049</u>	<u>\$ 787,701</u>	<u>\$ 805,265</u>	<u>\$ 601,619</u>	<u>\$ 627,045</u>	<u>\$ 560,675</u>	<u>\$ 498,289</u>
District's covered-employee payroll	268,204	287,320	282,429	268,930	241,027	239,868	253,634	261,592	275,078
District's proportionate share of the net pension liability as a percentage of its covered-payroll	196.24%	224.42%	249.99%	292.90%	334.10%	250.81%	247.22%	214.33%	181.14%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%	57.48%	61.61%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ 31,671	\$ 37,414	\$ 41,604	\$ 45,810	\$ 51,904	\$ 46,518	\$ 50,780	\$ 59,350	\$ 62,263	\$ 54,218
Contributions in relation to the actuarially determined contributions	<u>31,671</u>	<u>37,414</u>	<u>41,604</u>	<u>45,810</u>	<u>51,904</u>	<u>46,518</u>	<u>50,780</u>	<u>59,350</u>	<u>62,263</u>	<u>54,218</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 255,004	\$ 268,204	\$ 287,320	\$ 282,429	\$ 268,930	\$ 241,027	\$ 239,868	\$ 253,634	\$ 261,592	\$ 275,078
Contributions as a percentage of Covered employee payroll	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%	23.34%	19.71%

MARION COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019	2020	2021	2022	2023	2024	2025
District's proportion of net OPEB liability	0.011016%	0.011592%	0.011197%	0.010496%	0.009434%	0.008673%	0.008737%	0.008341%
District's proportionate share of the net OPEB liability	221,459	205,814	188,328	253,446	180,609	171,163	(12,063)	(14,428)
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-	-	-	-
TOTAL	<u>221,459</u>	<u>205,814</u>	<u>188,328</u>	<u>253,446</u>	<u>180,609</u>	<u>171,163</u>	<u>(12,063)</u>	<u>(14,428)</u>
District's covered-employee payroll	\$ 287,320	\$ 282,429	\$ 268,930	\$ 241,027	\$ 239,868	\$ 253,634	\$ 261,592	\$ 275,078
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	77.08%	72.87%	70.03%	105.15%	75.30%	67.48%	-4.61%	-5.25%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%	104.23%	104.89%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ 13,504	\$ 14,856	\$ 12,801	\$ 11,473	\$ 13,864	\$ 8,598	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>13,504</u>	<u>14,856</u>	<u>12,801</u>	<u>11,473</u>	<u>13,864</u>	<u>8,598</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 287,320	\$ 282,429	\$ 268,930	\$ 241,027	\$ 239,868	\$ 253,634	\$ 261,592	\$ 275,078
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

MARION COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

2022

There were no changes of assumptions for the year ended June 30, 2022.

2023

The Board of Trustees adopted new actuarial assumptions on May 9, 2023. These assumptions are documented in the report titled "2022 Actuarial Experience Study for the Period Ending June 30, 2022", and include a change in the investment return assumption from 6.25% to 6.50%. A copy of this study can be found at <https://www.kyret.ky.gov/About/Board-ofTrustees/Experience%20Studies/2022%20CERS%20Actuarial%20Experience%20Study%20for%20the%20Period%20Ending%20June%2030,%202022.pdf>.

2024

There were no changes of assumptions for the year ended June 30, 2024.

MARION COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LIBRARY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule. Assumptions have been listed for the non-hazardous plan.

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Investment Return	6.50%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Mortality	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
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

NOTE C – CHANGES OF BENEFITS

2023: There was a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions. There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

2024: None present.

MARION COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018: There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%

The projected salary increases changed to 3.05-11.55% from 4.0%

The inflation rate changed to 2.3% from 3.25%

The payroll growth rate changed to 2.0% from 4.0%

2020: There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022: There were no changes in assumptions.

2023

The CERS Board of Trustees adopted new actuarial assumptions on May 9, 2023. The KRS Board of Trustees adopted new actuarial assumptions on June 5, 2023. These assumptions are documented in the report titled "2022 Actuarial Experiences Study for the Period Ending June 30, 2022". Additionally, the single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. A copy of this study can be found at <https://www.kyret.ky.gov/About/Board-ofTrustees/Experience%20Studies/2022%20CERS%20Actuarial%20Experience%20Study%20for%20the%20Period%20Ending%20June%2030,%202022.pdf>.

2024

The discount rate increased from 5.93% to 5.99%. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2023 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

MARION COUNTY PUBLIC LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2025

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2024:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Investment Return	6.25%
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Mortality	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
Healthcare Trend Rates:	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of valuation and were incorporated into the liability measurement.
Post - 65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of valuation and were incorporated into the liability measurement.

NOTE C – CHANGES OF BENEFITS

2023: There was a relatively small change for future retirees in the nonhazardous plans. But as the minimum separation period was previously three months in almost every circumstance, GRS assumed that there would be a one percent (1%) increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 in order to reflect a shift in the retirement pattern. The total pension liability as of June 30, 2023, for the nonhazardous plans in determined using these updated benefits provisions. There have been no other plan provision changes that would materially impact the total pension liability since June 30, 2022.

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June 12, 2026

**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**

Board of Directors
Marion County Public Library
Lebanon, 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, each major fund, and the aggregate remaining fund information of Marion County Public Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Marion County Public Library's basic financial statements, and have issued our report thereon dated June 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marion 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 the Marion County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marion 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining a reasonable assurance about whether the Marion 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*.

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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
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June 12, 2026

Board of Directors
Marion County Public Library
Lebanon, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County Public Library for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 11, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marion County Public Library are described in Note A to the financial statements. As described in Note 1M to the financial statements, the Library changed policies related to compensated absences by adopting Statement of *Governmental Accounting Standards No. 101, Compensated Absences*, in 2025. No other new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by Marion County Public Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets for computation of depreciation. We evaluated the key factors and assumptions used to develop the computation of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 12, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Marion County Public Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Marion County Public Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on page 31, or on the schedules of the library's proportionate share of net pension liabilities and other post-employment benefit plans on pages 32 and 34 or on the schedules of contributions to the County Employees Retirement System and pension plans or the County Employees Retirement System other post-employment benefit plans on pages 33 and 35, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of members of the Board of Directors and management of Marion County Public Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants