

BOONE COUNTY PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Boone County Public Library District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 and each major fund of the District, as of June 30, 2023, 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 the Financial Statements section of our report. We are required to be independent of the District 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.

Responsibilities 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, 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 is 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 a material misstatement 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 District'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 District'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of District's Proportionate Share of the Net Pension and OPEB Liability, and Schedule of Pension and OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Kelley Gallaway Smith Goodby, PSC

Cincinnati, Ohio
January 10, 2024

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2023

As management of the Boone County Public Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is a required element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34. It provides management with the opportunity to present an overview of the financial activities of the District based on currently known facts, decisions or conditions. The District's basic financial statements are comprised of the components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

District-wide financial statements – The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the private business sector.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements – The fund financial statements focus on governmental activities and tell how these services were financed in the short term as well as what remains for future spending. This statement also reports the District's operations in more detail than the district-wide statements by providing information about the District's most significant funds – General, Foundation and Capital Projects.

The District's services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to residents. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in district-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 28 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

The combined net position of the District increased between FY 2022 and 2023 by \$557,391. The majority of the District's net position is invested in capital assets or investments. The unrestricted net position amount of \$8,972,552 represents the amount the District can use to fund programs and operations in the future.

The following is a summary of net position for the fiscal years ended June 30, 2023 and 2022:

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2023

	2023	2022
Current Assets	\$ 19,651,554	\$ 20,779,109
Noncurrent and Other Assets	35,476,946	33,691,233
Total Assets	55,128,500	54,470,342
Deferred Outflows	2,088,605	2,726,404
Current Liabilities	563,039	488,064
Noncurrent Liabilities	10,852,452	10,755,585
Total Liabilities	11,415,491	11,243,649
Deferred Inflows	1,591,725	2,300,599
Net Position		
Net investment in capital assets	35,237,337	33,314,781
Unrestricted Fund Balance	8,972,552	10,337,717
Total Net Position	\$ 44,209,889	\$ 43,652,498

The following table presents a summary of revenue and expenses for the fiscal years ended June 30, 2023 and 2022. The most significant portion of revenues (88.43%) is local property tax. The District carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with attention to opportunities in increase yield. The District realized \$237,594 in investment revenue during fiscal year 2023.

	2023	2022
Revenues:		
Charges for services	\$ 5,627	\$ 6,552
Operating grants and contributions	117,375	97,542
Property taxes	9,389,604	8,659,095
Other taxes	694,711	656,072
Investment earnings	237,594	53,688
Miscellaneous	173,078	61,524
Total Revenues	10,617,989	9,534,473
Expenses:		
Personnel	6,302,857	6,253,391
Materials	528,404	485,514
Facility	277,353	272,582
Support services	213,454	192,869
Maintenance	569,096	452,654
Program	435,693	257,872
Automation	327,924	389,334
Other	108,563	121,669
Depreciation	1,297,254	1,513,331
Total Expenses	10,060,598	9,939,216
Change in Net Position	\$ 557,391	\$ (404,743)

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's governmental funds begins on page 11. These funds are accounted for using the modified accrual basis of accounting. Several revenue sources fund governmental activities with property tax being the largest contributor. All governmental funds had total revenue of \$10,617,989 and expenditures of \$11,902,922. The most active fund is the General Fund with an unassigned fund balance at year-end of \$11,613,981.

CAPITAL ASSETS AND DEBT

Capital Assets – At the end of June 30, 2023, the District's investment in capital assets was \$35,237,337 representing an increase of \$1,922,556, net of depreciation, from the prior year.

Debt - At June 30, 2023, the District has long-term debt of \$165,042, which consisted of a lease payable, and \$509,194 in current liabilities, consisting of accounts payable, accrued payroll, vacations, and withholding.

The District is required, by Governmental Accounting Standards Board Statements No. 68 and 75, to display its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employee Retirement System (CERS), a cost sharing multi-employer plan, in which the District is a participant. The net pension and OPEB liability, \$10,741,255, the deferred outflow of resources, \$2,088,605 and the deferred inflow of resources, \$1,591,725 on the Statement of Net Position at June 30, 2023 are a result of this required reporting. Detailed information on this pension and OPEB recognition can be found in Notes F and G in the Notes to the Financial Statements.

COMMENTS ON BUDGET, ECONOMIC FACTORS AND NEXT YEARS BUDGET

The Library continues to provide excellent service to the public by constantly monitoring changes, or improvements to evaluate and re-evaluate internal processes and procedures. Boone County Public Library continued to work with a consulting engineering firm to tighten the building envelope at all locations and to make sure that all energy usage systems are operating at peak efficiencies. We are seeing savings in our utility costs. The rising personnel costs, including healthcare, salary, and retirement, continues to be an ongoing concern so we are always on the lookout for alternative forms of revenue.

Fiscal year 2023 which covered July 1, 2022 to June 30, 2023, was about normal operations post Covid pandemic at Boone County Public Library.

By the end of the fiscal year, total circulation increased by 3% over last fiscal year. Physical circulation increased by 2% despite an 18% decrease in DVD circulation. eMaterial circulation increased by 6%. Database usage increased by 52%. Program attendance increased by 41%. Visitors to the Library increased by 12% and website visits increased by 43%. The total value provided by BCPL for every \$1 of tax payer funds received s \$4.33. (The ROI is undervalued because we do not count the newspapers and magazines read in the Library, or hours of meeting room and study room use.)

BCPL's Youth Services staff has positioned the library to help meet the needs of Early Literacy. We have expanded early childhood to encompass 3rd grade or 8 years old because research shows that children are, on average, 2 years behind due to the pandemic. The Library's Early Literacy Learning services and programs support the foundation of pre-reading and language enrichment skills so crucial to the young child's cognitive and social development. Our professional librarians and early childhood educators work with parents, educators and caregivers throughout the state to provide the collections, resources and support they need to assist these young minds in being ready to read, and most importantly, in beginning their lifelong habit of reading for pleasure and knowledge.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2023

The Library has 4 key Early Literacy initiatives:

- Storytimes;
- 1,000 Books Before Kindergarten (1,947 registered readers. 1,488 have logged at least one book. 100 kids have completed the program and read 1,000 books before kindergarten. 273,661 books have been logged, total, since the program began);
- Boone County Dolly Parton's Imagination Library (3,573 children registered and 576 graduates); and
- Ages & Stages Questionnaire to evaluate appropriate development and make referrals as needed.

In June 2022, the Boone County Public Library Foundation, a 501(c)3 nonprofit, was approved by the Kentucky Secretary of State and the IRS. The purpose of the Foundation is to encourage voluntary financial support for Boone County Public Library to enhance the programs, services, collections, projects, and facilities of the Library, to apply for grants for the Library, and to acquire and administer funds devoted to these purposes. FY2023 was used to introduce the Foundation to the community and to begin raising funds for the Library. The Foundation has four key initiatives: Early Childhood, Archive & History Center, Capital Projects, and General donations for programs, collections, summer reading or other needs when identified.

Several Capital Projects were budgeted for FY2023; however, some were not completed due to lack of workforce and shipping delays. The cost of the work will be split between FY2023 and FY2024.

On a District level, staff began work on a new website on a new hosted platform. This will be completed in FY2024. Outdoor lights were placed on a Programmable Logic Controller to help reduce utility costs. Irrigation Controllers were installed at the Main Library, the Hebron Branch, and the Scheben Branch, to help reduce water usage and costs.

At the Main Library, a new heat pump was installed for the lower level, a larger space was created for the Archive & History Center, additional compact shelving was installed for Archive & History Center storage, office space was built in the administrative area, more study rooms were added, the electronic portion of the monument sign was replaced, additional access card readers were installed, and some of the variable frequency drives and motors were replaced in the HVAC system. In addition, four new spaces were created in the public area of the Main Library—an Art Gallery space, a Sensory Room, a GED Testing Room, and a Boone Innovation Lab. Meeting Room tables were replaced. The 21 year old tables were becoming a safety hazard.

At the Florence Branch, a new public computer desk was purchased in FY2022, but did not arrive until FY2023.

At the Scheben Branch, additional card access readers were installed, additional study room were built, and the meeting room technology was upgrades. The front concrete entrance was replaced. Two new public spaces were created in the public area of the Scheben Branch—a Passport Room and an Outdoor Reading area. A Mural was added to the walls in the Youth Services.

At the Walton Branch the Boiler had to be replaced. Construction of a new Walton Branch continued from FY2022 through FY2023. The new location will be completed and opened in FY2025.

Due to staffing issues the Chapin Memorial Library closed in March 2022. The senior management team has worked to reimagine this location as an unstaffed Express Location that will open in early fiscal year 2024. Several facility changes had to be made to turn this location from a staffed location to an unstaffed location.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2023

The Public Relations Department continues to work on original content creation through blogs and videos. Through their work, BCPL's Facebook page has more followers than any other public library in Kentucky. They continue to see a high level of engagement on all social media platforms BCPL uses—Facebook, Twitter, Instagram, LinkedIn, and YouTube.

Our strategic plan emphasizes lifelong learning opportunities for early childhood and retired adults; and local history research and programs. A new plan will be in effect FY2024 to FY2027. We have continued to expand our offerings to the educational community and strengthened our partnerships with Boone County Parks, Boone County Early Childhood Fund, Northern Kentucky Early Childhood Council, Northern Kentucky Forum, Boone County Schools, and Walton Verona Schools during this past fiscal year.

REQUESTS FOR INFORMATION

Questions regarding this report should be directed to Carrie Herrmann, Boone County Public Library District, 1786 Burlington Pike, Burlington, KY 41005, telephone (859) 292-3387, or email director@bcpl.org.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 10,727,086
Taxes receivable	164,558
Investments	8,759,910
Total current assets	19,651,554
Capital Assets:	
Capital assets, not being depreciated	11,502,540
Capital assets, net of accumulated depreciation	23,734,797
Net capital assets	35,237,337
Other assets	
Right to use leased assets, net	163,318
Other assets	76,291
Total other assets	239,609
TOTAL ASSETS	55,128,500
Deferred Outflows of Resources	
Deferred outflows related to pensions and OPEB - CERS	2,088,605
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	57,217,105
LIABILITIES	
Current Liabilities:	
Accounts payable	213,379
Accrued wages and vacations payable	294,252
Accrued payroll withholdings	1,563
Leases payable	53,845
Total current liabilities	563,039
Non-Current Liabilities:	
Leases payable	111,197
Net pension and OPEB liability - CERS	10,741,255
Total non-current liabilities	10,852,452
TOTAL LIABILITIES	11,415,491
Deferred Inflows of Resources	
Deferred inflows related to pensions and OPEB - CERS	1,591,725
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	13,007,216
NET POSITION	
Net investment in capital assets	35,237,337
Unrestricted	8,972,552
TOTAL NET POSITION	\$ 44,209,889

The accompanying notes to financial statements
are an integral part of this statement.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Library Operations	\$ -	\$ 5,627	\$ 117,375	\$ -	\$ 123,002
Personnel	6,302,857	-	-	-	(6,302,857)
Materials	528,404	-	-	-	(528,404)
Facility	277,353	-	-	-	(277,353)
Support Services	213,454	-	-	-	(213,454)
Maintenance	569,096	-	-	-	(569,096)
Program	435,693	-	-	-	(435,693)
Automation	327,924	-	-	-	(327,924)
Other	108,563	-	-	-	(108,563)
Depreciation	1,297,254	-	-	-	(1,297,254)
Total Governmental Activities	<u>\$ 10,060,598</u>	<u>\$ 5,627</u>	<u>\$ 117,375</u>	<u>\$ -</u>	<u>\$ (9,937,596)</u>
General Revenue -					
Tax Revenue					\$ 9,389,604
Taxes - Other					694,711
Miscellaneous Income					173,078
Interest Income					<u>237,594</u>
Total General Revenues					<u>10,494,987</u>
CHANGE IN NET POSITION					557,391
NET POSITION-BEGINNING OF YEAR					<u>43,652,498</u>
NET POSITION-END OF YEAR					<u>\$ 44,209,889</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>General Fund</u>	<u>Library Foundation</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,366,583	14,012	3,346,491	\$ 10,727,086
Taxes receivable	164,558	-	-	164,558
Other receivables	-	-	-	-
Due from capital projects fund	4,592,034	-	-	4,592,034
Investments	-	-	8,759,910	8,759,910
Total current assets	<u>12,123,175</u>	<u>14,012</u>	<u>12,106,401</u>	<u>24,243,588</u>
Other assets	61,056	-	-	61,056
Other prepaid expenses	14,014	-	-	14,014
Deposits	1,221	-	-	1,221
Total other assets	<u>76,291</u>	<u>-</u>	<u>-</u>	<u>76,291</u>
TOTAL ASSETS	<u>\$ 12,199,466</u>	<u>\$ 14,012</u>	<u>\$ 12,106,401</u>	<u>\$ 24,319,879</u>
LIABILITIES				
Accounts payable	\$ 213,379	\$ -	\$ -	\$ 213,379
Due to general fund	-	-	4,592,034	4,592,034
Accrued wages and vacations payable	294,252	-	-	294,252
Accrued payroll withholdings	1,563	-	-	1,563
Total current liabilities	<u>509,194</u>	<u>-</u>	<u>4,592,034</u>	<u>5,101,228</u>
FUND BALANCES				
Non-spendable	76,291	-	-	76,291
Committed for capital projects	-	-	7,514,367	7,514,367
Unassigned	11,613,981	14,012	-	11,627,993
Total fund balances	<u>11,690,272</u>	<u>14,012</u>	<u>7,514,367</u>	<u>19,218,651</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,199,466</u>	<u>\$ 14,012</u>	<u>\$ 12,106,401</u>	<u>\$ 24,319,879</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances for governmental funds \$ 19,218,651

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

Right to use leased assets, net of accumulated amortization,
used in governmental activities are not financial resources
and therefore are not reported in the governmental funds. 163,318

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds. 35,237,337

Long-term liabilities are not due and payable in the current period and are
not reported in the funds:

Leases payable (165,042)

Net pension liability - CERS (8,438,066)

Net OPEB liability - CERS (2,303,189)

Deferred outflows and inflows of resources related to pensions and post
employment health insurance are applicable to future periods and,
therefore are not reportable in the funds:

Deferred outflow of resources - pensions - CERS 1,170,804

Deferred outflow of resources - OPEB - CERS 917,801

Deferred inflow of resources - pensions - CERS (572,721)

Deferred inflow of resources - OPEB - CERS (1,019,004)

Net position of governmental activities \$ 44,209,889

The accompanying notes to financial statements
are an integral part of this statement.

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Library Foundation</u>	<u>Capital Project Fund</u>	<u>Total Governmental Fund</u>
Revenues				
From local sources:				
Taxes:				
Property	\$ 9,389,604	\$ -	\$ -	\$ 9,389,604
Motor vehicle	567,966	-	-	567,966
Telecommunications	104,005	-	-	104,005
Watercraft	22,740	-	-	22,740
Fines and fees	5,627	-	-	5,627
Grants	102,564	-	-	102,564
Reimbursements	14,811	-	-	14,811
Earnings on investments and deposits	62,919	-	174,675	237,594
Other local sources	137,203	35,875	-	173,078
Total Revenues	<u>10,407,439</u>	<u>35,875</u>	<u>174,675</u>	<u>10,617,989</u>
Expenditures				
Personnel	6,223,458	-	-	6,223,458
Materials	951,704	-	-	951,704
Facility	277,353	-	-	277,353
Support services	213,454	-	-	213,454
Maintenance	569,096	-	-	569,096
Program	413,830	21,863	-	435,693
Automation	327,924	-	-	327,924
Other	107,730	-	-	107,730
Capital outlay	-	-	2,796,510	2,796,510
Total expenditures	<u>9,084,549</u>	<u>21,863</u>	<u>2,796,510</u>	<u>11,902,922</u>
Net change in fund balance	1,322,890	14,012	(2,621,835)	(1,284,933)
Fund balances, beginning of year	<u>10,367,382</u>	<u>-</u>	<u>10,136,202</u>	<u>20,503,584</u>
Fund balances, end of year	<u>\$ 11,690,272</u>	<u>\$ 14,012</u>	<u>\$ 7,514,367</u>	<u>\$ 19,218,651</u>

The accompanying notes to financial statements
are an integral part of this statement.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2023**

Net change in fund balances—total governmental funds **\$ (1,284,933)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Depreciation expense	(1,297,254)
Capital outlays	3,219,810
Right to use leased assets amortization expense	(54,440)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and interest consumes current financial resources of governmental funds.

Lease payments	53,607
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Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, OPEB, and investment experience.

CERS OPEB and pension expense	<u>(79,399)</u>
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Change in net position of governmental activities	<u><u>\$ 557,391</u></u>
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The accompanying notes to financial statements
are an integral part of this statement.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Boone County Public Library District (the District) operates under legislative authority and provides services as authorized. The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Boone County Public Library District. The following is a summary of the certain accounting policies followed in the preparation of these financial statements.

The District's basic financial statements include the accounts of Boone County Public Library District and its legally separate component unit. The criteria for including organizations as component units within the District's reporting entity is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The primary consideration is whether or not an entity has the potential to impose a financial burden or provide a financial benefit to the District. Other criteria include whether the organization is legally separate (can sue or be sued in their own name), whether the District holds the corporate powers of organization, appoints a voting majority of the organization's board, or is able to impose its will on the organization. An entity that is both fiscally dependent and has a burden/benefit relationship with the District is considered a component unit.

Boone County Public Library Foundation, Inc. (the Foundation) – The Foundation is a non-profit corporation (organized under 501(c)(3)), established and operated exclusively for charitable and educational purposes that enhance and support the District's resources, collections, programs, and services beyond the means of public funding. The Foundation has a separate board of directors, but based on the criteria above, it is a closely related component unit of the District and its financial data is blended with the data of the District for financial presentation.

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District that are governmental and those that are considered capital asset activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the general-purpose financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the change in total fund balance.

Government Fund Types

The District has the following funds:

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

Library Foundation – This fund accounts for financial resources of the Boone County Public Library Foundation, Inc. This is a major fund of the District.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. This is a major fund of the District.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, liabilities, deferred inflows, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents.

Investments

Kentucky Revised Statute 66.480 authorizes the District to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, certain mutual funds, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.

At June 30, 2023, investments consists of participating and nonparticipating certificates of deposits in the amount of \$7,708,315 and a publicly traded mutual fund in the amount of \$1,051,595. The mutual fund invests primarily in bonds with remaining maturities of less than one year and is valued at amortized cost, which approximates fair value.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty (60) days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of the governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgetary Process

The District follows the procedures established pursuant to Section 164.655 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgeted amounts in the financial statements are as adopted by the Board of Trustees.

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The Boone County Public Library Foundation, Inc. is not legally required to adopt a budget.

Taxes

Property Tax Revenues – Property taxes are levied each October 1 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 due dates and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per K.R.S. 134.020 134.020</u>
1. Due date for payment of taxes	Upon receipt
2. Face value amount payment date	October 31 to December 31
3. Delinquent date, 5% penalty, 12% interest	January 1 to January 31
4. Delinquent date, 21% penalty, 12% interest	After January 31

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

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

Accounts Payable and Accrued Liabilities

All payables and accrued liabilities are reported in the district-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days of year-end are considered to have been made with current available financial resources.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization thresholds are shown below, improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Capitalization Threshold</u>	<u>Activities Estimated Lives</u> (Years)
Buildings and improvements	\$ 25,000	25-50
Land improvements	12,500	25
Computer automation	1,000	5
Vehicles	2,500	5
Audio/visuals	1	3
Microfilms	1	7
Furniture and fixtures	2,500	15
Books	1	7
Land	1	-

Right-to-Use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Net Position and Fund Balances

Net position in the District-wide Statement of Net Position represents the difference between total assets and deferred outflows and total liabilities and deferred inflows. 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 positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

In the fund financial statements, governmental fund balances can be presented in five possible categories:

- *Non-spendable* - These are resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- *Restricted* - These are resources with constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- *Committed* - These are resources which are subject to limitation the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.
- *Assigned* - These are resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.
- *Unassigned* - These are amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed and assigned resources first, then unassigned resources as they are needed.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an revenue until that time.

Pension and Other Post-Employment Benefits (OPEB), Health Insurance

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources, pension and OPEB expense, and information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

established in Statement No. 87, Leases, as amended. GASB 96 is effective for the District beginning with its year ending June 30, 2023. The adoption of this standard did not have a material effect on the District's financial statements.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022* ("GASB 99"), to provide guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. Requirements that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement No. 34, and terminology updates are effective upon issuance. Requirements related to leases, public-public and public-private partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022, and for all reporting periods thereafter. Requirements related to other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and for all reporting periods thereafter. Adoption of the provisions required for the year ending June 30, 2023 in this statement did not have a material effect on the Library's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

NOTE B – OTHER ASSETS

During 2007, the District opened a branch library that was constructed by the Boone County Fiscal Court. Under the agreement, the District paid a portion of the construction costs and originally agreed to maintain the branch for a minimum of five years. Upon expiration, the District and the Fiscal Court elected the option to extend the agreement for twenty years. The amount of the initial construction contribution of \$183,173 was recorded as an other asset to be amortized over the life of the agreement. At June 30, 2023, remaining unamortized amount under the agreement was \$61,056.

NOTE C – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2023:

<u>Governmental Activities</u>	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2023</u>
Capital Assets, Not Depreciated:				
Land	\$ 9,081,878	\$ -	\$ -	\$ 9,081,878
Construction in progress	227,656	2,193,006	-	2,420,662
Total Capital Assets, Not Depreciated	<u>9,309,534</u>	<u>2,193,006</u>	<u>-</u>	<u>11,502,540</u>
Capital Assets, Depreciated:				
Buildings and improvements	29,811,483	157,246	-	29,968,729
Land improvements	827,283	-	-	827,283
Furniture, fixtures and equipment	2,890,652	262,680	-	3,153,332
Computer automation	459,741	16,309	-	476,050
Collection – Books, AV media	4,165,433	508,076	(613,132)	4,060,377
Vehicles	405,596	82,493	(16,224)	471,865
Total	<u>38,560,188</u>	<u>1,026,804</u>	<u>(629,356)</u>	<u>38,957,636</u>
Less: accumulated depreciation	<u>(14,554,941)</u>	<u>(1,297,254)</u>	<u>629,356</u>	<u>(15,222,839)</u>
Total Capital Assets, Depreciated - Net	<u>24,005,247</u>	<u>(270,450)</u>	<u>-</u>	<u>23,734,797</u>
Capital Assets - Net	<u>\$ 33,314,781</u>	<u>\$ 1,922,556</u>	<u>\$ -</u>	<u>\$ 35,237,337</u>

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

NOTE D – LEASES

The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

- A lease agreement was executed on June 21, 2021, to lease copiers and requires 60 monthly payments of \$4,649 per month. Variable payment components of the lease are based on usage per month. The lease liability is measured at a discount rate of 1%, which is the District's incremental borrowing rate. As a result, the District has recorded a right to use asset.

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2024	\$ 53,845	\$ 1,943	\$ 55,788
2025	55,474	314	55,788
2026	55,723	65	55,788
	<u>\$ 165,042</u>	<u>\$ 2,322</u>	<u>\$ 167,364</u>

The District has recorded right to use leased assets for copier equipment. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use leased asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Intangible right to use assets	\$ 272,197	\$ -	\$ -	\$ 272,197
Totals at historical cost	272,197	-	-	272,197
Less: accumulated amortization	(54,439)	(54,440)	-	(108,879)
Right to Use Leased Assets - Net	<u>\$ 217,758</u>	<u>\$ (54,440)</u>	<u>\$ -</u>	<u>\$ 163,318</u>

NOTE E – RENTAL INCOME

The District has lease income for 500 square feet of land for a cell phone tower in which payments are variable. The term is 5 years with an automatic renewal of 4 terms of 5 years each if not cancelled prior to expiration of each term by lessee. Lease income for the year ended June 30, 2023 was \$10,781.

NOTE F – RETIREMENT PLAN

Plan description: Substantially all full-time classified employees of the Library participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2023, employers were required to contribute 26.79% (23.40% - pension, 3.39% insurance) of the member's salary. During the year ending June 30, 2023, the Library contributed \$800,436 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the District's proportion was 0.11673%.

For the year ended June 30, 2023, the District recognized pension expense of approximately \$669,000. At June 30, 2023, the District 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	\$ 9,021	\$ 75,145
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	216,321	-
Changes in proportion and differences between District contributions and proportionate share of contributions	145,026	497,576
District contributions subsequent to the measurement date	800,436	-
	\$ 1,170,804	\$ 572,721

The \$800,436 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

Year	
2024	\$ (141,786)
2025	(229,364)
2026	(70,909)
2027	239,706
	\$ (202,353)

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

The target 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Fixed Income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	<u>100.00%</u>	4.28%

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 10,546,536	\$ 8,438,066	\$ 6,694,187

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2023, there was a total payable to CERS of \$133,438, which includes pension and OPEB contributions.

NOTE G – OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLAN

Plan description: The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided – CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2023, CERS allocated 3.39% of the 26.79% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2023, the Library contributed \$115,961 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the District's proportion was 0.11671%.

For the year ended June 30, 2023, the District recognized OPEB expense of approximately \$410,000, including an implicit subsidy of \$83,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 231,835	\$ 528,175
Changes of assumptions	364,265	300,153
Net difference between projected and actual earnings on investments	93,480	-
Changes in proportion and differences between District contributions and proportionate share of contributions	112,260	190,676
District contributions subsequent to the measurement date	115,961	-
	\$ 917,801	\$ 1,019,004

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,961 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2024	\$ (3,900)
2025	(13,734)
2026	(171,855)
2027	(27,675)
	\$ (217,164)

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
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 13 years.
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 13 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	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.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Assumption Changes - The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. In conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

The target 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income		
Core Fixed Income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Inflation Protected		
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	4.28%

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plan's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the Library's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the Library'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 (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	1% Decrease (4.70%)	Current discount rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the net OPEB liability	\$ 3,078,996	\$ 2,303,189	\$ 1,661,855

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District'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:

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,712,370	\$ 2,303,189	\$ 3,012,651

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the OPEB plan: At June 30, 2023, there was a total payable to CERS of \$133,438, which includes pension and OPEB contributions.

NOTE H – CONCENTRATION OF CREDIT RISK

For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2023, the District's deposits totaling \$19,612,360 and are categorized as follows:

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2023

Amount insured by FDIC	\$ 7,656,391
Additional pledged securities	9,382,643
Uncollateralized	<u>2,573,326</u>
Total	<u>\$ 19,612,360</u>

NOTE I – CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The District is not currently a defendant in any lawsuits.

REQUIRED SUPPLEMENTARY INFORMATION

BOONE COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL OF GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues					
From local sources					
Taxes:					
Property	\$ 8,800,000	\$ 20,000	\$ 8,820,000	\$ 9,389,604	\$ 569,604
Motor Vehicle	350,000	-	350,000	567,966	217,966
Telecommunications	101,000	-	101,000	104,005	3,005
Watercraft	35,000	-	35,000	22,740	(12,260)
Fines and fees	20,000	-	20,000	5,627	(14,373)
Grants	139,500	-	139,500	102,564	(36,936)
Reimbursement	47,380	-	47,380	14,811	(32,569)
Investment earnings	75,000	40,000	115,000	62,919	(52,081)
Other local sources	69,612	4,182	73,794	137,203	63,409
Total revenues	<u>9,637,492</u>	<u>64,182</u>	<u>9,701,674</u>	<u>10,407,439</u>	<u>705,765</u>
Expenditures					
Personnel	6,676,858	(46,984)	6,629,874	6,223,458	406,416
Materials	1,061,640	-	1,061,640	951,704	109,936
Facility	269,392	5,416	274,808	277,353	(2,545)
Support services	192,755	930	193,685	213,454	(19,769)
Maintenance	507,404	45,936	553,340	569,096	(15,756)
Program	443,701	21,886	465,587	413,830	51,757
Automation	329,455	34,077	363,532	327,924	35,608
Other	156,287	2,921	159,208	107,730	51,478
Total expenditures	<u>9,637,492</u>	<u>64,182</u>	<u>9,701,674</u>	<u>9,084,549</u>	<u>617,125</u>
Net change in fund balance	-	-	-	1,322,890	1,322,890
Fund balance, beginning of year	<u>9,398,544</u>	<u>-</u>	<u>9,398,544</u>	<u>10,367,382</u>	<u>968,838</u>
Fund balance, end of year	<u>\$ 9,398,544</u>	<u>\$ -</u>	<u>\$ 9,398,544</u>	<u>\$ 11,690,272</u>	<u>\$ 2,291,728</u>

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
PENSION										
District's proportion of the net pension liability	0.11673%	0.12776%	0.12336%	0.11351%	0.11464%	0.11303%	0.11840%	0.116230%	0.116993%	
District's proportionate share of the net pension liability	\$ 8,438,066	\$ 8,145,511	\$ 9,461,380	\$ 7,983,139	\$ 6,981,743	\$ 6,615,759	\$ 5,506,807	\$ 4,997,345	\$ 3,795,680	
District's covered payroll	\$ 3,224,195	\$ 3,263,238	\$ 3,126,554	\$ 2,864,593	\$ 2,369,523	\$ 2,752,072	\$ 2,670,676	\$ 2,711,796	\$ 2,683,337	
District's proportionate share of the net pension liability as a percentage of its covered payroll	261.711%	249.614%	302.614%	278.683%	294.648%	240.392%	206.195%	184.282%	141.454%	
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	
INSURANCE FUND										
District's proportion of the net OPEB liability	0.11671%	0.12773%	0.12332%	0.13490%	0.11463%	0.11303%				
District's proportionate share of the net OPEB liability	\$ 2,303,189	\$ 2,445,270	\$ 2,977,900	\$ 1,908,834	\$ 2,035,286	\$ 2,272,209				
District's covered payroll	\$ 3,224,195	\$ 3,263,238	\$ 3,126,554	\$ 2,864,593	\$ 2,369,523	\$ 2,752,072				
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.455%	74.934%	95.245%	66.635%	85.894%	82.564%				
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%				

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

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PENSION										
Contractually required contribution	\$ 800,436	\$ 682,562	\$ 629,805	\$ 603,425	\$ 464,637	\$ 343,107	\$ 383,914	\$ 331,698	\$ 345,754	\$ 368,910
Contributions in relation to the contractually required contribution	800,436	682,562	629,805	603,425	464,637	343,107	383,914	331,698	345,754	368,910
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered payroll	\$ 3,420,667	\$ 3,224,195	\$ 3,263,238	\$ 3,126,554	\$ 2,864,593	\$ 2,369,523	\$ 2,752,072	\$ 2,670,676	\$ 2,711,796	\$ 2,683,337
District's contributions as a percentage of its covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
INSURANCE FUND										
Contractually required contribution	\$ 115,961	\$ 186,358	\$ 155,330	\$ 148,824	\$ 150,678	\$ 111,368	\$ 144,422			
Contributions in relation to the contractually required contribution	115,961	186,358	155,330	148,824	150,678	111,368	144,422			
Contribution deficiency (excess)	-	-	-	-	-	-	-			
District's covered payroll	\$ 3,420,667	\$ 3,224,195	\$ 3,263,238	\$ 3,126,554	\$ 2,864,593	\$ 2,369,523	\$ 2,752,072			
District's contributions as a percentage of its covered payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%			

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

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2023**

(1) CHANGES OF ASSUMPTIONS

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 rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 Disabled 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.

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

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLAN (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023**

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2022:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become “totally and permanently disabled” as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member’s monthly final rate of pay to 75% of the member’s monthly average pay. The insurance premium for the member, the member’s spouse, and the member’s dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes since the prior valuation.

**BOONE COUNTY PUBLIC LIBRARY DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLAN
 FOR THE YEAR ENDED JUNE 30, 2023**

(1) CHANGES OF ASSUMPTIONS

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

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

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

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

For the June 30, 2022 measurement date, the single discount rates used to calculate the total OPEB liability was changed to 5.70%.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2022:

<p>Experience Study Actuarial Cost Method Amortization Method Remaining Amortization Period Payroll Growth Rate Asset Valuation Method</p>	<p>July 1, 2008 – June 30, 2013 Entry Age Normal Level Percent of Pay 30 Years, Closed 2.00% 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized</p>
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**BOONE COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLAN (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2023**

Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.
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 for CERS non-hazardous and hazardous.

(3) CHANGES OF BENEFITS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.



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

To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005

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 and each major fund of the Boone County Public Library District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Boone County Public Library District's basic financial statements, and have issued our report thereon dated January 10, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kelley Gallaway Smith Goodby, PSC

Cincinnati, Ohio
January 10, 2024

To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005

We have audited the financial statements of the governmental activities, and each major fund of the Boone County Public Library District for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 July 19, 2023. 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 District are described in Note A to the financial statements. As described in Note A to the financial statements, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and applicable portions of GASB Statement No. 99, *Omnibus 2022* during the year. The adoption of these statements did not have a material effect on the Library's financial statements.

We noted no transactions entered into by the District 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 Boone County Public Library District's financial statements was:

Management's estimate of depreciation is based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimates used by the actuary in developing the District's obligations for retirement and OPEB plans as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. See Notes F and G to the financial statements for a summary of the significant assumptions utilized. We evaluated the key factors and assumptions used to develop the estimate of pension and OPEB expense and related obligations in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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 January 10, 2024.

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 the Boone County Public Library District'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 no 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 the Boone County Public Library District'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, the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, the Schedule of District's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions, 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 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.

Restriction on Use

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

Kelley Galloway Smith Cooldy, PSC

Cincinnati, Ohio
January 10, 2024

Client: BOONE COUNTY PUBLIC LIBRARY
Engagement: 06.30.23
Current Period: 06/30/2023
Workpaper: Posted Adjusting Journal Entries

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect	Workpaper ID
4	To record and balance Foundation activity	A.13				
01.011700.51	BCPL Foundation Acct #325785		14,405.17	0.00		
03.033100.51	Foundation-Early Chdhd/DPI Lib		0.00	19,920.75		
12.123100.51	Foundation-Early Chdhd/DPI Lib		5,515.58	0.00		
01.011701.51	BCPL Foundation Horizon Funds		8,000.00	0.00		
12.123300.51	Foundation - General Fund		0.00	8,000.00		
Total			<u>27,920.75</u>	<u>27,920.75</u>	<u>22,405.17</u>	
GRAND TOTAL			<u>27,920.75</u>	<u>27,920.75</u>	<u>22,405.17</u>	

Client: BOONE COUNTY PUBLIC LIBRARY
 Engagement: 06.30.23
 Current Period: 06/30/2023
 Workpaper: Passed Adjusting Journal Entries

Account	Description	Misstatement	Workpaper Reference	Debit	Credit	Net Income Effect	Workpaper ID
1	To adjust for prepaid software subscription costs.	Known Classification	I.1				
05.013000.01	Prepaid expenses			63,882.13	0.00		
05.052800.01	Software Maint			0.00	63,882.13		
Total				<u>63,882.13</u>	<u>63,882.13</u>	<u>63,882.13</u>	
2	To adjust Ameriprise investment to fair value	Known Classification	A.12				
01.012295.92	Ameriprise Brokerage			0.00	74,632.62		
03.032000.01	Other Income			74,632.62	0.00		
Total				<u>74,632.62</u>	<u>74,632.62</u>	<u>(74,632.62)</u>	
3	To record unearned revenue received for promised sale of Walton Property.	Known Classification	50.1				
03.032000.01	Other Income			50,000.00	0.00		
05.020000.01	Accounts payable			0.00	50,000.00		
Total				<u>50,000.00</u>	<u>50,000.00</u>	<u>(50,000.00)</u>	
GRAND TOTAL				<u>188,514.75</u>	<u>188,514.75</u>	<u>(60,750.49)</u>	



**Kelley Galloway
Smith Goolsby, PSC**

Certified Public Accountants and Advisors

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To the Board of Trustees
Boone County Public Library District
1786 Burlington Pike
Burlington, Kentucky 41005

In planning and performing our audit of the financial statements of Boone County Public Library District (the "District") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated January 10, 2024, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

Kelley Galloway Smith Goolsby, PSC

Cincinnati, Ohio
January 10, 2024

BOONE COUNTY PUBLIC LIBRARY DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2023

23-01 Uncollateralized Deposits

Statement of Condition: We noted that the District had \$2,573,326 in uncollateralized deposits with Truist Investment Services at June 30, 2023. The District has Pledge Agreements with the financial institution, but the agreement does not provide sufficient coverage of the District's cash balances.

Criteria for Condition: All cash balances in excess of FDIC limits should be collateralized through Pledge Agreements to reduce the risk of loss in the case of a bank failure.

Cause of Condition: Not enough coverage through Pledge Agreements.

Effect of Condition: The District could be at risk of loss of funds.

Recommendation of the Condition: We recommend that the District increase their Pledge Agreement amount to cover the cash balance in excess of FDIC coverage and monitor the account throughout the year to ensure that the amount is sufficient.