BRACKEN COUNTY PUBLIC LIBRARY
Brooksville, Kentucky

Audited Financial Statements
For the year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Bracken County Public Library
Brooksville, Kentucky

We have audited the accompanying financial statements of the governmental activities of the Bracken County Public Library as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bracken County Public Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Bracken County Public Library, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Bracken County Public Library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Bracken County Public Library'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 opinion. 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 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, 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 Bracken County Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bracken County Public Library's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Information

As discussed in the notes to the financial statements, accounting principles generally accepted in the United States of America require the entity to record leases in accordance with requirements primarily codified in FASB Accounting Standards Codification section 842 which generally require that all leases are classified as either an operating or financing type lease and that a right of use asset and lease liability is recorded on the balance sheet. Management has not applied this principle of lease classification and, therefore, information about the nature, amount, timing and uncertainty of leases, right-of-use assets and lease liabilities, and cash flows arising from leases may be misstated. The effects of this departure from accounting principles generally accepted in the United Sates of America on financial position, results of operations, and cash flows have not been determined.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January xx, 2024, on our consideration of the Bracken County Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bracken County Public Library's internal control over financial reporting and compliance.

Lane & Company LLC

Mount Sterling, Kentucky

January xx, 2024

This report contains xx pages.

BRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS and DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and cash equivalents - unrestricted	$ 1,166,804
Taxes receivable	13,838
Total Current Assets	1,180,642
Noncurrent Assets	
Land	65,000
Land improvements	53,300
Buildings and improvements	1,703,432
Furniture and fixtures	106,349
Equipment	169,057
Library books	859,296
Accumulated depreciation	(1,468,154)
Total Noncurrent Assets	1,488,280
Deferred Outflows of Resources	
Deferred outflows of resources - NPL	88,254
Deferred outflows of resources - OPEB	56,682
Total Deferred Outflows of Resources	144,936
Total Assets & Deferred Outflows of Resources	$ 2,813,858
LIABILITIES and DEFERRED INFLOWS OF RESOURCES	
Current Liabilities	
Accounts payable	$ 8,000
Accrued wages and taxes	9,175
Total Liabilities - Current	17,175
Noncurrent Liabilities	
Net pension liability	336,439
Net OPEB liability	100,018
Total Liabilities - Noncurrent	436,457
Deferred Inflows of Resources	
Deferred Inflows of Resources - NPL	52,630
Deferred Inflows of Resources - OPEB	54,332
Total Deferred Inflows of Resources	106,962
Total Liabilities & Deferred Inflows of Resources	560,594
NET POSITION	
Net investment in capital assets	1,488,280
Unrestricted	764,985
Total Net Position	$ 2,253,265

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

BRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

PROGRAM REVENUES	
Fees & other	$ 1,956
Donations	100
Real property tax	383,865
Motor vehicle tax	70,237
Personal property tax	86,703
Telecommunications income	9,085
Total Program Revenues	551,946
EXPENSES	
Bookmobile - gas	393
Bookmobile - repairs	57
Books	0
eBooks	3,477
Equipment (non-capitalized)	596
Games	338
Electronic database	16,448
Magazines & newspapers	386
Videos	3,693
Books & materials - other	229
Program supplies	5,130
Office supplies	7,128
Postage	207
Workers comp	676
Insurance - building	10,420
Insurance - health	31,273
Insurance - liability	2,534
Bookkeeping service	5,469
Landscape design	190
Legal fees	3,311
Advertising and printing	5,798
Outreach	3,522
Public relations - other	808
Trash	1,021
Internet	7,914
Telephone	1,906
Other utilities	9,505
Utilities - other	1,027
Automation	12,020
Fees & usage	20
Hardware	2,439
Software	2,176
Administrative fees	369
Audit fee	16,250
Filing fee for corporation	15
Membership fees	1,505
Contracted cleaning	12,709
Fire inspection	2,440
Grounds keeping	5,527
Maintenance	1,736
Security	779

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

BRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

Furnishing (non-capitalized)	2,695
Building repair	1,564
Equipment maintenance	2,417
New equipment (non-caplitalized)	26
Buildings & structures (non-capitalized)	657
Director	52,829
Part-time	14,112
Payroll expenses	238
Other salaried staff	76,098
Staff - other	12,492
Disability	1,200
County retirement	52,562
FICA	11,776
Unemployment	1,945
Lodging	1,109
Meals	674
Mileage	2,541
Tuition, reg, cert fees	1,114
Continuing education - other	280
Other expense	243
Depreciation	105,558
Total Expenses	523,567
Net Program Income/(Expense)	28,378
GENERAL REVENUES & (EXPENSES)	
Federal erate credits	12,602
State government	70,000
Restricted income	2,000
Interest income	2,198
Total General Revenues	86,800
Change in Net Position	115,179
Net Position - beginning	2,102,349
Prior period adjustment	35,737
Net Position - ending	$ 2,253,265

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

BRACKEN COUNTY PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2023

	General
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 1,166,804
Taxes receivable	13,838
Total Assets	1,180,642
Total Assets	$ 1,180,642
LIABILITIES AND FUND BALANCE	
Current Liabilities	
Accounts payable	$ 8,000
Accrued wages and taxes	9,175
Total Liabilities	17,175
Total Liabilities	17,175
Fund Balance	
Unassigned	1,163,468
Total Fund Balance	1,163,468
Total Liabilities and Fund Balance	1,180,642
Total Governmental Fund Balance	1,163,468
Amounts reported for *governmental activities* in the statement of net position are different because:	
Deferred outflows are not due and payable in the current period and therefore are not reported in the funds	144,936
Deferred inflows are not due and payable in the current period and therefore are not reported in the funds	(106,962)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(436,457)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,956,434
Accumulated depreciation	(1,468,154)
Net Position of Governmental Activities	$ 2,253,265

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

BRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2023

REVENUES	
Fees & other	$ 1,956
Donations	100
Real property tax	383,865
Motor vehicle tax	70,237
Personal property tax	86,703
Telecommunications income	9,085
Federal erate credits	12,602
State government	70,000
Restricted income	2,000
Interest income	2,198
Total Revenue	638,746
EXPENSES	
Bookmobile - gas	393
Bookmobile - repairs	57
Books	0
eBooks	3,477
Equipment (non-capitalized)	596
Games	338
Electronic database	16,448
Magazines & newspapers	386
Videos	3,693
Books & materials - other	229
Program supplies	5,130
Office supplies	7,128
Postage	207
Workers comp	676
Insurance - building	10,420
Insurance - health	31,273
Insurance - liability	2,534
Bookkeeping service	5,469
Landscape design	190
Legal fees	3,311
Advertising and printing	5,798
Outreach	3,522
Public relations - other	808
Trash	1,021
Internet	7,914
Telephone	1,906
Other utilities	9,505
Utilities - other	1,027
Automation	12,020
Fees & usage	20
Hardware	2,439
Software	2,176
Administrative fees	369
Audit fee	16,250
Filing fee for corporation	15
Membership fees	1,505

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

BRACKEN COUNTY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2023

Contracted cleaning	12,709
Fire inspection	2,440
Grounds keeping	5,527
Maintenance	1,736
Security	779
Furnishing (non-capitalized)	2,695
Building repair	1,564
Equipment maintenance	2,417
New equipment (non-caplitalized)	26
Buildings & structures (non-capitalized)	657
Director	52,829
Part-time	14,112
Payroll expenses	238
Other salaried staff	76,098
Staff - other	12,492
Disability	1,200
County retirement	35,829
FICA	11,776
Unemployment	1,945
Lodging	1,109
Meals	674
Mileage	2,541
Tuition, reg, cert fees	1,114
Continuing education - other	280
Other expense	243
Capital outlay - books	21,797
Capital outlay - other	70,000
Total Expenses	493,073
Excess (deficiency) of revenues over expenses	145,673
Net Change in Fund Balances	145,673
Fund balances - beginning	1,017,795
Fund balances - ending	$ 1,163,468

BRACKEN COUNTY PUBLIC LIBRARY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the year ended June 30, 2023

Reconciliation to government-wide change in net position:	
Net change in fund balance - governmental funds	$ 145,673
increase/(decrease):	
capital outlay expenditures capitalized	91,797
pension/OPEB expense adjustment per GASB 68/75	(16,733)
depreciation on governmental activities assets	(105,558)
Change in net position, Governmental Activities	$ 115,179

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

Note 1 - General Statement and Summary of Significant Accounting Policies

General Statement
The Bracken County Public Library (Library) was established pursuant to the provisions of Kentucky Revised Statutes Chapter 173 to serve all areas of Bracken County through its library and bookmobile services on August 13, 1990. The Library is located in Brooksville, Kentucky.

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

The Reporting Entity
The Library, for financial purposes, includes all of the funds relevant to the operations of the Library. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Library.

The financial statements of the Library would include those of separately administered organizations that are controlled by or dependent on the Library. Control or dependence is determined on the basis of financial interdependency, selection of governing body, designation of management, ability to significantly influence operations, accountability of fiscal matters, scope of public service, and financing relations.

Based on the foregoing criteria there are no other organizations included in these financial statements.

Government-Wide and Fund Financial Statements
The government-wide financial statements report information on all of the nonfiduciary activities of the primary government.

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

Fund Financial Statements
Fund financial statements report detailed information about the Library. The accounts of the Library are organized on the basis of funds each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

Governmental Funds are those through which most governmental functions are financed. The governmental fund measurement focus is upon determination of financial position and budgetary control over revenues and expenditures. Proprietary Fund Types are used to account for operations that are financed and operated in a manner similar to business enterprises-where intent of the governing body is that costs of providing services are to be financed or recovered primarily through user charges.
The Library reports the following major governmental fund:
General Fund- The General Fund is used to account for all financial resources of the Library except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Kentucky.

Fund Balances
The Library implemented GASB 54. This statement requires the fund balance reported in the governmental fund balance sheet to be classified using the following:

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

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

Committed - Amounts that can only be used for a specific purpose as designated by a resolution of the Library's board.

Assigned - Amounts that do not meet the definition of committed or restricted but are intended to be used for a specific purpose. In July 2011, the Board voted to classify ½ of the fund balance as assigned to satisfy the outstanding loan balance.

Unassigned – The residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes.

Basis of Accounting
Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Grants and entitlements interest associated with the current fiscal period and property taxes are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the Library receives cash.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets
Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position and are not reported in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. All books are capitalized. Depreciation is computed using the straight-line method over the following useful lives of the related capital assets.

Description	Capitalization Threshold	Estimated Life (Years)
Land Improvements	$12,500	20
Buildings	10,000	40
Building Improvements	10,000	10
Furniture and Fixtures	2,500	8
Computers and Equipment	1,000	5
Software	10,000	5
Vehicles	2,500	5

State Grants
Appropriated state funds are allocated to state agencies then reallocated to local units of government.

Property Taxes
The tax on real and personal property levied by the Library is calculated, billed and collected by the County Sheriff. Property taxes attach as an enforceable lien as of January. Taxes are levied on October 1 and are due and payable on or before November 1. All unpaid taxes become delinquent December 31. Fees thus collected are remitted to the Library monthly. The tax on motor vehicles is collected by the County Clerk and remitted monthly. Delinquent motor vehicles taxes are remitted by the State quarterly as collected.

Budgets and Budgetary Accounting
The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Formal budgetary integration is employed as a management control device during the year for the General Fund. These budgets are adopted on a basis consistent with generally accepted accounting principles.
b. The combined statement of revenue, expenditures, and charges in fund balances – budget and actual for the Governmental Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles. The resulting difference is not material.
c. The Library approves, by ordinance, total budget appropriations only. The Library is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Library's Board. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis.
d. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
e. The budget amounts shown in the financial statements are the final authorized amounts.

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 the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Net Position
Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

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

Leases
The entity has obligations as a lessee for office space, computers, and other office equipment with initial noncancelable terms in excess of one year. The entity classified these leases as operating leases. These leases generally contain renewal options for periods ranging from two to five years. Because the entity is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The entity's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the entity's leases, variable payments.

Note 2 – Defined Benefit Pension Plan

General Information About the Pension Plan

Plan description - Regular, full-time, employees of the Library are provided with pensions through the County Employees' Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority. The assets of CERS are pooled with two other retirement systems Kentucky Public Pensions Authority administers, KERS & SPRS. Although invested each system's assets are used only for the members of that plan. Kentucky Revised Statute (KRS) chapter 61 grants the authority to establish and amend the benefit terms to the Kentucky Public Pensions Authority's Board of Trustees (Board). Kentucky Public Pensions Authority issues a publicly available financial report that can be obtained on their website.

Benefits provided - CERS provides retirement, insurance, disability, and death benefits. Retirement benefits are determined from an average of the five highest years of compensation for those whose participation began before September 01, 2008. For those who began participation on or after September 01, 2008 retirement benefits are determined as an average of the last complete five years. A percentage is then taken from those averages based on the employee's months of service. Employees are eligible for service-related disability benefits with at least 60 months of service. If the member is receiving monthly benefits based on at least four years of service, then a $5,000 death benefit is payable to the member's designated beneficiary. For those employees whose participation began prior to July 01, 2003, CERS will pay a portion of the monthly premium for single coverage based upon service credit accrued at retirement. For those employees whose participation began on or after July 01, 2003 and before September 01, 2008, employees are required to earn at least 10 years of service credit to be eligible for insurance benefits. Employees whose participation began on or after September 01, 2008 must earn at least 15 years of service credit to be eligible for insurance benefits.

Membership in the CERS Non-hazardous Pension Fund consisted of the following on June 30, 2019:

Membership Status	
Inactive plan members currently receiving benefits	67,206
Inactive plan members entitled to but not yet receiving benefits	100,738
Active plan members	77,367
Total plan members	245,311

Prior to July 1, 2009, cost of living adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

Contributions

The Commonwealth is required to contribute at an actuarially determined rate for KERS and SPRS pensions. Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Sections KERS 61.565(3), CERS 78.545(33), and SPRS 16.645(18), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS and SPRS.

For the fiscal years ended June 30, 2022, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings.

TIER 1:

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (Non-Hazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

TIER 2:

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (Non-Hazardous) or 9% (Hazardous) of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420 Employer's administrative duties). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

TIER 3:

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (Non-Hazardous) or 8% (Hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account), which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (Non-Hazardous) or 7.5% (Hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contribution Rates and Amounts for CERS Non-Hazardous

				Employer		
Period	Pension	Insurance	Total	Pension	Insurance	Employee
07/01/2022-06/30/2023	23.40%	3.39%	26.79%	$ 30,169	$ 4,371	$ 6,446

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

At June 30, 2023, the Library reported a liability of $366,439 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's portion of the net pension liability was based on the Library's proportionate share of retirement contributions for the fiscal year ended June 30, 2021. On June 30, 2022 the Library's proportionate share was 0.005069%.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period. For the year ended June 30, 2023, the Library recognized pension expense of $35,420. On June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Liability Experience	$ -0-	$ -0-
Changes in assumptions	392	3,263
Differences between expected and actual Investment Experience	49,861	4,0467
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,832	8,900
Contributions subsequent to the measurement date	30,169	-0-
Total	$ 88,254	$ 52,630

$30,169 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The remaining amount of $5,455 reported as the net effect of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	$1,919
2025	(3,796)
2026	(3,079)

2027	10,411
2028	-0-
Thereafter	-0-
Total	$ 5,455

Actuarial methods & assumptions: For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

The actuarial assumptions are:

Inflation	2.30% for all plans
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.30% to 10.30% varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS Non-hazardous

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

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Nonhazardous plan to elect to cease participating in the System as of June 30, 2021 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session which delayed the effective date of cessation for these provisions to June 30, 2021. Since each employer's elections are unknown at this time, no adjustment to the Total Pension Liability was made to reflect this legislation.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2022:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019. Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.00% for CERS non-hazardous
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%-10.30%, Varies by Service for CERS non-hazardous
Investment Return	6.25% for CERS Non-hazardous
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.

The long-term expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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 tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	**60.00%**	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	**20.00%**	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(.91)%
Inflation Protected	**20.00%**	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	**100.00%**	**4.28%**
Long Term Inflation Assumption		**2.30%**
Expected Nominal Return for Portfolio		**6.58%**

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

A single discount rate of 6.25% was used to measure the total pension liability for the non-hazardous fund and the hazardous fund for the fiscal year ending June 30, 2022. The single discount rate determined for each fund is based on the expected rate of return on pension plan investments for each fund. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension funds' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current fund members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

The projection of cash flows used to determine the single discount rate for each fund must include an assumption regarding actual employer contributions made each future year. Except where noted below, future contributions are projected assuming that each participating employer in each pension fund contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2018 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Methodology for Proportionate Shares

The proportionate share of the Collective Pension Amounts for employers that participate in this cost-sharing multiple employer plan is provided in Appendix A and Appendix B of this report and was determined using the employers' actual contributions for the fiscal year ending June 30, 2022. The method is expected to be reflective of the employers' long-term contributions effort as well as be transparent to individual employers and their external auditors.

Non-Employer Contributions

Non-employer contributions will be allocated according to each employer's proportionate share, as described previously. There were no non-employer contributions during fiscal year ending June 30, 2022 for either the non-hazardous or hazardous funds.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate - The following presents the net pension liability of the System, calculated using the discount rate of 6.25%, as well as what the System's 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 for non-hazardous:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Proportionate share of the net pension liability	$ 458,003	$ 366,439	$ 290,707

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Note 3 - Other Postemployment Benefits Plan (OPEB)

Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority's administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS) is a participating employer of the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description - The Kentucky Public Pensions Authority (KPPA) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Timing of the Valuation

For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. The total pension liability, net pension liability, and sensitivity information show in this report are based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. This information was determined separately for the non-hazardous pension fund and the hazardous pension fund.

The discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the CERS non-hazardous insurance plan. There were no other material assumption changes, and it is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB Statement No. 75.

Senate Bill 209 passed during the 2022 legislative session and 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.

To model the financial impact of the requirement for the funds to be 90% funded, we have assumed the increase in the insurance dollar contribution is payable in all calendar years. The CERS insurance plans are approaching 90% funded as of the June 30, 2021 Actuarial Valuation, and it is likely they could be 90% funded within a year or two given the inherent volatility in the valuation of OPEB plans.

Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. In general, allowing members to receive reimbursement to participate in health plans other than those administered by KPPA would increase the utilization of the dollar benefit. The current election assumption for future members receiving the dollar insurance benefit is 100%, so there is no immediate change in the total OPEB liability for active members due to this benefit change. For current retirees and beneficiaries eligible for the dollar insurance benefit who have not yet elected coverage, we have assumed 50% would elect coverage under this benefit change. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes, and it is our opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB Statement No. 75.

Employer Contributions after the Measurement Date and before the Employer's Fiscal Year End

GASB No. 75 indicates that employer contributions made subsequent to the measurement date of the Net OPEB Liability and prior to the end of the employer's reporting period should be reported by the employer as a deferred outflow of resources. The information contained in this report does not incorporate any contributions made to the plan subsequent to June 30, 2022.

Actuarial methods & Assumptions

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, net OPEB liability and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

Long-Term Expected Rate of Return

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 tables below.

Asset Class	Target Allocation	Real Rate of Return
Growth	**68.50%**	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	**11.50%**	
Core Bonds	10.00%	0.00%
Cash	1.50%	(.60)%
Diversifying Strategies	**20.00%**	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	n/a
Real Return	10.00%	4.55%
Expected Real Return	**100.00%**	**5.00%**
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

Single Discount Rate

Single discount rates of 5.70% for the CERS non-hazardous insurance plan and 5.61% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2022. 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 separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Methodology for Proportionate Shares

The proportionate share(s) of the Collective OPEB Amounts for employers that participate in these cost-sharing multiple employer plans is provided in Appendix A and Appendix B of this report and were determined using the employers' actual contributions for the fiscal year ending June 30, 2022. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors.

Non-Employer Contributions

Non-employer contributions will be allocated according to each employer's proportionate share, as described previously. There were no non-employer contributions during fiscal year ending June 30, 2022 for either the non-hazardous or hazardous funds.

Use of Estimates in the Preparation of the Schedules

The preparation of the schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

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

Determined by the Actuarial Valuation as of:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019 *Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases*
Payroll Growth Rate	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30% for CERS non-hazardous members, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013- 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare Trend Rates: Pre-65	Initial trend starting at 6.40% at January 1, 2022 and 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.
Healthcare Trend Rates: 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

Implicit Subsidy

KPPA pays fully insured premiums for the Kentucky Health Plan. The premiums 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 benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability. The Library's implicit subsidy for the year ended June 30, 2023 was $3,606.

Contributions

The Commonwealth is required to contribute at an actuarially determined rate for KERS and SPRS pensions. Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Sections KERS 61.565(3), CERS 78.545(33), and SPRS 16.645(18), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS and SPRS.

For the fiscal years ended June 30, 2022, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs of KPPA are financed through employer contributions and investment earnings.

Contribution Rates and Amounts for CERS Non-Hazardous

				Employer		
Period	Pension	Insurance	Total	Pension	Insurance	Employee
07/01/2022-06/30/2023	23.40%	3.39%	26.79%	$ 30,169	$ 4,371	$ 6,446
Contributions including implicit subsidy			$9,080			

For additional information regarding contributions, please refer to the Defined Benefit Pension Plan footnote.

TIER 1:
Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (Non-Hazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

TIER 2:
Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (Non-Hazardous) or 9% (Hazardous) of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420 Employer's administrative duties). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

TIER 3:
Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (Non-Hazardous) or 8% (Hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account), which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an

employer pay credit is deposited to the member's account. A member's account is credited with a 4% (Non-Hazardous) or 7.5% (Hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

On June 30, 2023, the Library reported a liability of $100,018 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled-forward to June 30, 2021 using generally accepted actuarial principles. The Library's proportion of the net OPEB liability was determined using the Library's actual contributions for the year ended June 30, 2021. This method is expected to be reflective of the Library's long-term contribution effort. For the year ended June 30, 2023, the Library's proportion was 0.005069% which is equal to its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Library recognized OPEB expense of $15,853. On June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	$ 10,068	$ 22,936
Effects of changes in assumptions	15,818	13,034
Differences between projected and actual earnings on plan investments	18,624	14,565
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,195	3,797
Contributions subsequent to the measurement date + implicit subsidy	7,977	-0-
Total	$ 56,682	$ 54,332

$7,977 reported of deferred outflows of resources resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as the net effect of deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2024	$ 496
2025	152
2026	(5,988)
2027	(287)
2028	-0-
Thereafter	-0-
Total	$ (5,627)

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.70%, as well as what the Library's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (4.70%) or 1% higher (6.70%) than the current rate:

	Discount Rate	Proportionate Share of Net OPEB Liability
1% decrease	4.70%	$ 133,708
Current discount rate	5.70%	$ 100,18
1% increase	6.70%	$ 72,167

Sensitivity of the Library's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates (see details in Actuarial Assumptions above), as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1% lower or 1% higher than the current rates:

	Proportionate Share of Net OPEB Liability
1% decrease	$ 74,361
Current healthcare cost trend rate	$100,18
1% increase	$ 130,827

Note 4 - Cash

The Library considers all highly liquid investments with a maturity date of twelve months or less from date of purchase to be cash equivalents. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Interest Rate Risk - The Library's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The Library's cash and cash equivalents consist of cash held in a checking account in the amount of $908,988, a savings account in the amount of $2,003 and $255,813 in a certificate of deposit. The remaining $250 is held as petty cash for a total of $1,166,804. Deposits with financial institutions are secured as follows:

	Reconciled Bank Balance	Deposits in Bank
Insured by FDIC	$ 507,815	$ 507,815
Collateralized with specific securities in the Library's name which are held by the financial institution	534,730	681,548
	$ 1,042,545	$ 1,189,363

Note 5 – Contingencies

The Library is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Library in the current and prior years. There were no examinations for the year ended June 30, 2023. Areas of noncompliance, if any, as a result of examinations would be included as a part of the "Findings and Questioned Costs" section of this report.

Note 6 - Investments

Investments are stated at fair value.

Note 7 – Risk Management

The Library is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance coverage for the risks to the extent deemed prudent by Library management.

Note 8 – Subsequent Events

The Library has evaluated subsequent events through January xx, 2024, and that is the date that the financial statements were available to be issued.

Note 9 - Capital Assets

The following is a summary of changes in capital assets for the year:

Governmental Activities	Balance, 07/01/22	Transfers/ Additions	Disposals	Balance, 06/30/23
Depreciable Capital Assets:				
Books	$ 837,499	$ 21,797	$ -	$ 859,296
Buildings & improvements	1,703,432	-	-	1,703,432
Equipment	99,057	70,000	-	169,057
Furniture & fixtures	106,349	-	-	106,349
Land improvements	53,300	-	-	53,300
Total Depreciable Capital Assets	2,799,637	91,797	-	2,891,434
Less Accumulated Depreciation:				
Books	679,209	38,764	-	717,973
Buildings & improvements	525,576	42,586	-	568,162
Equipment	58,655	14,909	-	73,563
Furniture & fixtures	75,940	6,635	-	82,575
Land improvements	23,217	2,665	-	25,882
Total Accumulated Depreciation	1,362,596	105,558	-	1,468,154
Total Depreciable Capital Assets, Net	1,437,041	(13,761)	-	1,423,280
Non-Depreciable Capital Assets:				
Land	65,000	-	-	65,000
Total Non-Depreciable Assets	65,000	-	-	65,000
Total Capital Assets, Net	$ 1,502,041	$ (13,761)	$ -	$ 1,488,280

REQUIRED SUPPLEMENTARY INFORMATION

BRACKEN COUNTY PUBLIC LIBRARY
Schedule of Employer's Proportionate Share of Net Pension Liability
June 30, 2023

	Measurement Date				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Proportion of the net pension liability (asset)	0.003568%	0.002679%	0.028510%	0.004771%	0.004823%
Proportionate share of the net pension liability (asset)	115,746	115,202	$ 140,362	$ 279,261	$ 293,735
Covered employee payroll	96,914	75,634	$ 72,118	$ 116,170	$ 119,530
Proportionate share of the net pension liability as a percentage of its covered employee payroll (asset)	119.43%	152.32%	194.63%	240.39%	245.74%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	61.22%	55.50%	53.30%	53.32%

	Measurement Date			
	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Proportion of the net pension liability (asset)	0.004809%	0.004993%	0.005276%	0.005069%
Proportionate share of the net pension liability (asset)	$ 338,219	$ 382,959	$ 336,386	$ 366,439
Covered employee payroll	$ 121,308	$ 127,895	$ 134,770	$ 136,748
Proportionate share of the net pension liability as a percentage of its covered employee payroll (asset)	278.81%	299.43%	249.60%	267.97%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	50.45%	57.33%	52.42%

BRACKEN COUNTY PUBLIC LIBRARY
Schedule of Employer's Contributions - Net Pension Liability
June 30, 2023

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Contractually required contribution	$ 9,643	$ 8,957	$ 16,206	$ 17,308	$ 19,676
Contributions in relation to the contractually required contribution	9,643	8,957	16,206	17,308	19,676
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 75,634	$ 72,118	$ 116,170	$ 119,530	$ 121,308
Contributions as a percentage of covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%

	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Contractually required contribution	$ 24,684	$ 26,011	$ 27,930	$ 30,169
Contributions in relation to the contractually required contribution	24,684	26,011	27,930	30,169
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 127,895	$ 134,770	$ 140,170	$ 128,926
Contributions as a percentage of covered employee payroll	19.30%	19.30%	19.93%	23.40%

BRACKEN COUNTY PUBLIC LIBRARY
Schedule of Employer's Proportionate Share of Net OPEB Liability
June 30, 2023

	Measurement Date				
	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Proportion of net OPEB liability (asset)	0.004771%	0.004823%	0.004808%	0.004992%	0.005275%
Proportionate share of net OPEB liability (asset)	$ 95,913	$ 85,631	$ 80,868	$ 120,542	$ 100,987
Covered employee payroll	$ 116,170	$ 119,530	$ 121,308	$ 127,895	$ 134,770
Proportionate share of net OPEB liability (asset) as a percentage of covered employee payroll	82.56%	71.64%	66.66%	94.25%	74.93%
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	52.40%	52.39%	51.67%	51.67%

	Measurement Date
	6/30/2022
Proportion of net OPEB liability (asset)	0.005068%
Proportionate share of net OPEB liability (asset)	$ 100,018
Covered employee payroll	$ 136,748
Proportionate share of net OPEB liability (asset) as a percentage of covered employee payroll	73.14%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%

BRACKEN COUNTY PUBLIC LIBRARY
Schedule of Employer's Contributions - Net OPEB Liability
June 30, 2023

	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Statutorily required contribution	$ 5,618	$ 6,381	$ 6,088	$ 6,415	$ 7,625
Contributions in relation to the statutorily required contribution	5,618	6,381	6,088	6,415	7,625
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 119,530	$ 121,308	$ 127,895	$ 134,770	$ 140,170
Contributions as a percentage of covered-employee payroll	4.70%	5.26%	4.76%	4.76%	5.44%

	6/30/2023
Statutorily required contribution	$ 4,371
Contributions in relation to the statutorily required contribution	4,371
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 128,926
Contributions as a percentage of covered-employee payroll	3.39%

County Employee Retirement System – Pension & Insurance Funds

Changes of Benefit Terms

During the **2021** legislative session, 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. There were no other material plan provision changes, and it is our opinion that these procedures are reasonable and appropriate and comply with applicable requirements under GASB Statement No. 75.

During the **2020** legislative session, Senate Bill 249 passed and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

During the **2019** Special Legislative Session, House Bill 1 passed allowing certain employers in the KERS Nonhazardous plan to elect to cease participating in the System as of June 30, 2021 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session which delayed the effective date of cessation for these provisions to June 30, 2021. Since each employer's elections are unknown at this time, no adjustment to the Total Pension Liability was made to reflect this legislation.

During the **2019** legislative session, House Bill 484 was enacted, which updated the benefit provisions for active members who die in the line of duty.

- Pension – 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.

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

Changes in Assumptions

The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of **June 30, 2021:**

- The rate of inflation, payroll growth rate, and investment return assumptions remain the same as those adopted for the June 30, 2019 valuation.
- The salary increase assumption was increased from a range of 3.30%-11.55% to a range of 3.30% - 10.30%.
- The healthcare trend rates used were updated to the following:

  Pre-65 – Initial trend starting at 6.25% at January 01, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

  Post-65 – Initial trend starting at 5.50% at January 01, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
- The mortality tables used were updated to the following:

  System-specific mortality table based on morality experience from 2013-2018, projected with the ultimate rates from MP-2014 morality improvement scale using a base year of 2019.

The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of **June 30, 2020:**

- The rate of inflation, payroll growth rate, investment rate of return, healthcare trend rate assumptions and mortality tables remain the same as those previously adopted.

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

- The rate of inflation, payroll growth rate, salary increases, and investment rate of return assumptions remain the same as those adopted for the June 30, 2017 valuation.
- The salary increase assumption was increased from an average of 3.05% to a range that varies by service of 3.30% - 10.30%.
- The healthcare trend rates used were updated to the following:

  Pre-65 – Initial trend starting at 7.00% at January 01, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

  Post-65 – Initial trend starting at 5.00% at January 01, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
- The mortality tables used were updated to the following:

  Active members – PUB 2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

  Healthy retired members – System specific mortality table based on mortality experience form 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

  Disabled retire members – 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 scale using a base year of 2010.

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

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The payroll growth rate was reduced from 4.00% to 2.00%.
- The salary increase assumption was reduced from 4.00% average to 3.05% average.

The following changes were adopted by the Board of Trustees 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 4.50% to 4.00%.
- The 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 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

BRACKEN COUNTY PUBLIC LIBRARY
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund
Budget to Actual
For the year ended June 30, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Fees & other	$ 1,000	$ 1,956	$ 956
Donations	100	100	-
Real property tax	260,000	383,865	123,865
Motor vehicle tax	44,600	70,237	25,637
Personal property tax	130,000	86,703	(43,297)
Telecommunications income	8,200	9,085	885
Federal erate credits	11,500	12,602	1,102
State government	4,000	70,000	66,000
Restricted income	-	2,000	2,000
Interest income	900	2,198	1,298
Sale of surplus property	100	-	(100)
Total Operating Revenue/Contingency	460,400	638,746	178,346
OPERATING EXPENSES			
Bookmobile - gas	200	393	(193)
Bookmobile - repairs	200	57	143
Bookmobile - other	-	-	-
Books	22,000	0	22,000
Audios	250	-	250
eBooks	3,000	3,477	(477)
Equipment (non-capitalized)	500	596	(96)
Games	800	338	462
Electronic database	10,000	16,448	(6,448)
Magazines & newspapers	500	386	114
Videos	7,000	3,693	3,307
Books & materials - other		229	(229)
Program supplies	4,000	5,130	(1,130)
Office supplies	5,000	7,128	(2,128)
Postage	300	207	93
Workers comp	500	676	(176)
Insurance - building	8,500	10,420	(1,920)
Insurance - health	27,000	31,273	(4,273)
Insurance - liability	2,750	2,534	216
Bookkeeping service	4,000	5,469	(1,469)
Landscape design	400	190	210
Legal fees	4,000	3,311	689
Advertising and printing	3,000	5,798	(2,798)
Outreach	3,000	3,522	(522)
Public relations - other	1,000	808	192
Trash	830	1,021	(191)
Internet	11,450	7,914	3,536
Telephone	2,500	1,906	594
Other utilities	9,000	9,505	(505)
Utilities - other	-	1,027	(1,027)

BRACKEN COUNTY PUBLIC LIBRARY
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Fund
Budget to Actual
For the year ended June 30, 2023

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Automation	20,000	12,020	7,980
Fees & usage	300	20	280
Hardware		2,439	(2,439)
Software	4,000	2,176	1,824
Administrative fees	1,500	369	1,131
Audit fee	5,000	16,250	(11,250)
Filing fee for corporation		15	(15)
Membership fees	2,000	1,505	495
Fees - other	1,000	-	1,000
Contracted cleaning	12,000	12,709	(709)
Fire inspection	3,000	2,440	560
Grounds keeping	3,500	5,527	(2,027)
Maintenance	2,500	1,736	764
Security	3,500	779	2,721
Furnishing (non-capitalized)	5,000	2,695	2,305
Building repair	5,000	1,564	3,436
Equipment maintenance	2,500	2,417	83
Equipment replacement (non-capitalized)	500	-	500
New equipment (non-caplitalized)	2,000	26	1,974
Buildings & structures (non-capitalized)	15,000	657	14,343
Equipment - non-capitalized	8,000	-	8,000
Director	52,828	52,829	(1)
Part-time	34,831	14,112	20,719
Payroll expenses	800	238	562
Other salaried staff	76,368	76,098	270
Staff - other		12,492	(12,492)
Disability	1,800	1,200	600
County retirement	34,810	35,829	(1,019)
FICA	12,758	11,776	982
Unemployment	3,357	1,945	1,412
Lodging	1,500	1,109	391
Meals	500	674	(174)
Mileage	1,000	2,541	(1,541)
Tuition, reg, cert fees	2,000	1,114	886
Continuing education - other		280	(280)
Other expense	1,000	243	757
Capital outlay - books		21,797	(21,797)
Capital outlay - other		70,000	(70,000)
Total Operating Expenses	451,532	493,073	(41,541)
Excess (deficiency) of revenues/contingency over expenses	8,868	145,673	136,805
Net Change in Fund Balance	$ 8,868	$ 145,673	$ 136,805

SUPPLEMENTARY INFORMATION

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John T. Lane, CPA
Joel D. Lane, CPA

American Institute of CPAs
Kentucky Society of CPAs

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 Members
Bracken County Public Library
Brooksville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Bracken County Public Library, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bracken County Public Library's basic financial statements, and have issued our report thereon dated January xx, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Bracken County Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Lane & Company LLC

Mount Sterling, Kentucky

January xx, 2024

Audit Report Draft Review

Auditing standards require management to review and approve a draft of the audit report prior to its final release. To comply with these standards, please review the draft of the audit report on the previous pages. When your review is complete, please electronically sign below.

If you have questions or concerns, please do not hesitate to ask before signing.

The xx's will be replaced with dates and numbers when the audit report is finalized.

Additional steps in the audit process cannot be completed until your review is complete, and you approve this draft by signing below.

The Board does not have to approve this draft. Only management is required to approve the draft.

Bracken County Public Library

Auditee Name

Signature: Christian Shroll (Jan 17, 2024 09:54 EST)

Signature **Email:** bcpldirector@icloud.com

Christian Shroll

Print Name

Director

Title

17/01/2024

Date

How many copies of the audit would you like?

Bound -- 6

Stapled –

E-copy only ☐ Check this box with mouse to receive electronic copy only

I will also e-mail you an electronic copy.

The last 2 pages of this report are the letter to those charged with governance. You do not have to approve it.

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To the Director and Board Members
Bracken County Public Library
Brooksville, Kentucky

We have audited the financial statements of the Bracken County Public Library for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 engagement letter to you dated September 07, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Bracken County Public Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the allowance for doubtful accounts is based on management's review of outstanding accounts and past experience. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my 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 xx, 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 governmental unit'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 entity'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 Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to Schedule of the Proportionate Share of Net Pension Liability, Schedule of Employer Contributions – Net Pension Liability, Schedule of the Proportionate Share of Net OPEB Liability, Schedule of Employer Contributions – Net OPEB Liability, Notes to the Required Supplementary Information and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual, which are supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Bracken County Public Library and management of the Bracken County Public Library and should not be used for any other purpose.

Lane & Company LLC

Mount Sterling, Kentucky

January xx, 2024