

MARSHALL COUNTY PUBLIC LIBRARY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2025



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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
Management's Discussion and Analysis	3 - 6
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - Governmental Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	11
Notes to Financial Statements	12 - 23
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 <i>Government Auditing Standards</i>	24 - 25
Schedule of Findings and Responses	26
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	27
Schedule of Proportionate Share of the Net Pension Liability	28
Schedule of Pension Contributions	29
Schedule of Changes in Benefits and Assumptions- Pension	30
Schedule of Proportionate Share of the Net OPEB Liability	31
Schedule of OPEB Contributions	32
Schedule of Changes in Benefits and Assumptions- OPEB	33

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Marshall County Public Library

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Marshall County Public Library, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Marshall County Public Library, and to meet our 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 Marshall 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 Responsibility for the Audit of the Financial Statements

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



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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marshall 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 Marshall County Public Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 6, and pages 27 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2026, on our consideration of the Marshall 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 Marshall County Public Library's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
February 10, 2026

MARSHALL COUNTY PUBLIC LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Marshall County Public Library's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the library for the fiscal year ended June 30, 2025. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

- I. *Interest income increased this fiscal year due to a portion of the library's capital savings being placed into a CD bearing a higher interest than the money market account.*
- II. *The Library Board of Trustees voted to accept the compensating tax rate for real and personal property in 2024 to ease taxpayer burden, resulting in a reduction of total tax receipts of 3.03%.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net position are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year detail operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2025 and 2024:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 9,416,410	\$ 9,188,029	\$ 228,381
Other assets	2,684,060	3,037,036	(352,976)
Deferred outflows	564,643	719,592	(154,949)
Long-term liabilities	6,965,644	7,168,912	(203,268)
Current liabilities	428,402	296,467	131,935
Deferred inflows	843,388	1,155,704	(312,316)
Invested in fixed assets	4,195,763	3,816,266	379,497
Unrestricted net position	231,916	507,308	(275,392)

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Variance</u>
Taxing district revenues	\$ 2,650,113	\$ 2,732,834	\$ (82,721)
Grant revenues	36,480	9,207	27,273
Investment income	73,534	60,020	13,514
Charges for services	16,386	13,892	2,494
Other revenues	2,236	2,933	(697)
Total revenues	<u>2,778,749</u>	<u>2,818,886</u>	<u>(40,137)</u>
Personnel expenses	1,290,078	1,252,124	37,954
Library materials	103,836	118,548	(14,712)
Telephone and utilities	78,705	73,768	4,937
Insurance	80,940	64,026	16,914
Public relations	28,516	27,563	953
Programming	52,505	48,560	3,945
Office supplies	6,722	6,689	33
Legal and accounting	21,650	18,763	2,887
Computer expenses	148,177	107,039	41,138
Van and bookmobile operations	12,256	1,421	10,835
Staff education and dues	18,957	19,232	(275)
Other expenses	3,953	2,661	1,292
Repairs and maintenance	199,996	148,196	51,800
Interest	186,635	206,498	(19,863)
Depreciation	441,719	435,279	6,440
Total expenditures	<u>2,674,645</u>	<u>2,530,367</u>	<u>144,278</u>
Change in net position	<u>\$ 104,104</u>	<u>\$ 288,519</u>	<u>\$ (184,415)</u>

The Library's main source of revenue is property tax, which is approximately 95.37% of the Library's total revenue—slightly higher than the state average of 91.90%. Other income sources included grants, donations, state aid, and fines and fees. The personnel expense represents 48.23% of total operating – lower than the state average of 64.81%.

Capital Asset Activity

A great deal of work was done on the outdoor classroom project in FY25, with the majority of construction completed by July 1, 2025.

In January 2025, the Library purchased a Ford Transit van to assist with outreach efforts and transporting items between branches.

Many improvements were made to the Hardin branch, including new furniture, painted walls, and the addition of education play equipment for children. These capital improvements were funded by a grant from New Allies.

Four new items were purchased for the Library's popular Makerspace: A large format printer, laser cutter, and two 3-D printers.

Budget Highlights

The library adopted its annual budget at the May board meeting. Budget planning begins in March, with goals established, upcoming commitments reviewed, and new projects identified by the library's administrative team, with the current strategic plan being a guideline for upcoming undertakings. The Operating Budget includes proposed expenses and the means of financing them, and is amended during the year if unusual events occur. A Fiscal Year budget comparison for the year to date is presented to management and the Board of Trustees as interim financial statements; however, they are not reported on, nor shown, on the financial statements section of this report.

The library operates on a zero-balance budget so that at the end of the fiscal year, each budget category reverts back to the new balance for the new year. Each year library staff work diligently to keep the overall budget in line with the projected budget. Overages or other variances are monitored monthly by the director, bookkeeper, and board. This budget monitoring is prior to any audit adjustments and reclassification of library charges out of correlating expense accounts.

The library's revenue remained strong in FY24, 102% to budget. An increase in tax revenue along with high interest rate on investments were key drivers of this growth. Expenses remained stable, with most categories coming in under their budgeted amount.

A summarized comparison of governmental fund budget highlights is listed below:

	Budget Comparison for 2024 – 2025		
	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 2,723,275	\$ 2,778,749	\$ 55,474
Personnel expenses	1,639,000	1,511,794	127,206
Library materials	190,000	103,836	86,164
Telephone and utilities	92,000	78,705	13,295
Insurance	70,000	80,940	(10,940)
Public relations	20,000	28,516	(8,516)
Programming	43,000	52,505	(9,505)
Office supplies	7,000	6,722	278
Legal and accounting	25,000	21,650	3,350
Computer expenses	115,000	148,177	(33,177)
Van and bookmobile operations	2,000	12,256	(10,256)
Staff education and dues	15,000	18,957	(3,957)
Other expenses	2,275	3,954	(1,679)
Repairs and maintenance	162,500	199,996	(37,496)
Capital outlays	-	671,216	(671,216)
Debt service on bond issue	<u>340,500</u>	<u>337,000</u>	<u>3,500</u>
Total Budgeted	<u>\$ -</u>	<u>\$ (497,475)</u>	<u>\$ (497,475)</u>

Debt Administration

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

Economic Factors and Next Year's Budget

The Board of Trustees adopted the compensating rate in 2025, along with an operating budget designed to reflect anticipated revenues and expenses. Property values remain strong in Marshall County, with a good mix of residential and commercial growth relative to county rurality.

The Library continues to keep an eye on rising costs of supplies and services in FY26.

The Calvert City digital sign project is anticipated to be completed by July 1, 2026. As the Calvert City branch approaches 20 years post-construction, we anticipate a need to repair or replace one or more HVAC units and the roll-down gate used to separate the lobby from the main part of the library after-hours.

Contacting the Library Management

The financial report is designed to provide the citizens of Marshall County and its creditors with a general overview of the library's finances and to demonstrate the library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Tammy Blackwell.

Marshall County Public Library
Statement of Net Position
June 30, 2025

Assets	
Cash and cash equivalents	\$ 1,388,763
Investments	1,119,420
Accounts receivable	71,303
Prepaid expenses	54,671
Net OPEB asset	49,903
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	8,735,257
Land	<u>681,153</u>
Total Fixed Assets	<u>9,416,410</u>
Total Assets	12,100,470
Deferred Outflows of Resources:	
Subsequent pension contributions	191,497
Deferred outflows related to pensions	240,663
Deferred outflows related to OPEB	<u>132,483</u>
Total Deferred Outflows of Resources	<u>564,643</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,665,113</u>
Liabilities:	
Accounts payable and payroll liabilities	\$ 227,971
Interest payable	14,784
Premium on bond issuance	25,647
Current portion of bonds payable	150,000
Current portion of compensated absences	10,000
Long-Term Obligations:	
Compensated absences	197,026
Bonds payable	5,045,000
Net pension liability	<u>1,723,618</u>
Total Liabilities	7,394,046
Deferred Inflows of Resources:	
Deferred inflows related to pensions	307,067
Deferred inflows related to OPEB	<u>536,321</u>
Total Deferred Inflows of Resources	843,388
Net Position:	
Invested in fixed assets	4,195,763
Unrestricted	<u>231,916</u>
Total Net Position	<u>4,427,679</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,665,113</u>

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

Marshall County Public Library
Statement of Activities
For The Year Ended June 30, 2025

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
Governmental activities				
Cultural and recreations	\$ (2,674,645)	\$ 16,386	\$ 36,480	\$ (2,621,779)

General Revenues:	
Taxing district revenues	\$ 2,650,113
Investment income (loss)	73,534
Other income	2,236
Total general revenues	2,725,883
Change in net position	104,104
Net position - beginning	4,323,575
Net position - ending	\$ 4,427,679

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

Marshall County Public Library
Balance Sheet
Governmental Fund
June 30, 2025

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 1,388,763
Investments	1,119,420
Accounts receivable	71,303
Prepaid expenses	54,671
Total Assets	\$ 2,634,157
Liabilities	
Accounts payable	\$ 227,971
Compensated absences	10,000
Total Liabilities	\$ 237,971
Fund Balances	
Nonspendable	\$ 54,671
Assigned - operational reserve	1,222,095
Assigned - capital facility reserve	1,119,420
Unassigned	-
Total Fund Balances	\$ 2,396,186
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund	\$ 9,416,410
Deferred outflows, inflows, net pension liability, and net OPEB liability related to the implementation of GASB 68 and 75 which are not receivable or payable in the current period and therefore, not reported in the fund	(1,952,460)
Certain liabilities (including net bonds and notes payable, interest payable and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	(5,432,457)
Net position of governmental activities	\$ 4,427,679

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

Marshall County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For The Year Ended June 30, 2025

	Governmental Fund
Revenues	
Taxing district revenues	\$ 2,650,113
Grant revenues	36,480
Investment income and (loss)	73,534
Charges for services	16,386
Other revenues	2,236
Total Revenues	2,778,749
Expenditures	
Personnel expenses	1,511,794
Library materials	103,836
Telephone and utilities	78,705
Insurance	80,940
Public relations	28,516
Programming	52,505
Office supplies	6,722
Legal and accounting	21,650
Computer expenses	148,177
Van and bookmobile operations	12,256
Staff education and dues	18,957
Other expenses	3,954
Repairs and maintenance	199,996
Total Current Expenditures	2,268,008
Operating capital outlays	671,216
Debt Service	
Principal	150,000
Interest	187,000
Total Expenditures	3,276,224
Net change in fund balance	(497,475)
Fund balance - beginning	2,893,661
Fund balance - ending	\$ 2,396,186

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

Marshall County Public Library
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2025

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	(497,475)
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay and Collection Adjustment		671,216
Depreciation Expense		(441,719)

Governmental Funds report pension and OPEB related expenses of \$191,976. However, the Statement of Net Position reports pension and OPEB related expenses pursuant to GASB 68 and 75 of \$(56,987).

248,963

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position

150,000

Government Funds report expense as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences and accrued interest expense.

(26,881)

Change in Net Position of Governmental Activities

\$ 104,104

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

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Marshall County Public Library was created in 1967 as a taxing district. This public library district was formed by the Marshall County Fiscal Court pursuant to K.R.S. 173.710. The mission of the Marshall County Public Library is service to all people. This encompasses individuals and groups of every age, education, philosophy, occupation, economic level, ethnic origin, and human condition. Fulfilling the educational, informational, and recreational needs of these people is the Marshall County Public Library's broad purpose. More specifically, it helps people to keep up with change in all areas, educate themselves continually, become better members of their family and community, become socially and politically aware, be more capable in their occupations, develop their creative abilities and spiritual capacities, appreciate and enjoy literature and art, contribute to the overall expanse of knowledge, and stimulate their own personal social well-being. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

Basis of Presentation

The financial statements of the Marshall County Public Library District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library's taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The library has only one such governmental fund that accounts for the daily operating activity of the library. A description of such fund is as follows:

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

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Budgeting

The Organization follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues include those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library’s operating activities, an expense for capital outlays has been reported in the fund financial statements. The Library expenses all books and materials as purchased and does not capitalize such items.

Equipment & furniture	5-10 years
Buildings & improvements	10-40 years
Vehicles	5-7 years

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2025, was \$441,719.

Fund Balance

The Library has implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2025, fund balances are comprised of the following:

	<u>General Fund</u>
Nonspendable	\$ 54,671
Assigned- operating reserve	\$ 1,222,095
Assigned- capital facility reserve	\$ 1,119,420
Unassigned	\$ -

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Retirement Plan

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library’s cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity’s name, (2) collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity’s name). The Library’s categorization as of June 30, 2025, was as follows:

Category 1	\$	1,753,502
Category 2	\$	774,420
Category 3	\$	-

NOTE 3 – INVESTMENTS

The Library’s investment policy is governed by the State of Kentucky Statutes. These requirements authorize the Library to invest in obligations backed by the full faith and credit of the United States and obligations of any corporation of the United States government, obligations issued by Kentucky, its agencies and instrumentalities, and obligations issued by any state or local government and rated in one of the three highest categories by at least one rating agency. The policy requires that amounts on deposit with financial institutions be collateralized at a rate of 100% of amounts in excess of deposit insurance coverage. As of June 30, 2025, all investments are held in certificates of deposit.

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value, but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 3 – INVESTMENTS (CONTINUED)

- Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.
- Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2025, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2025</u>				
Certificates of deposit	\$ 1,119,420	\$ -	\$ 1,119,420	\$ -
Total	<u>\$ 1,119,420</u>	<u>\$ -</u>	<u>\$ 1,119,420</u>	<u>\$ -</u>

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

NOTE 4 – CAPITAL ASSETS

The Library purchases various educational materials each year, some of which increase in value and some that depreciate. The Library depreciates their book materials over a seven-year period and the electronic materials over a five-year period.

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2025</u>
Land	\$ 678,143	\$ 3,010	\$ -	\$ 681,153
Buildings and improvements	9,697,005	11,374	-	9,708,379
Construction in progress	-	469,122	-	469,122
Furniture and equipment	1,608,940	44,809	11,099	1,642,650
Vehicles	65,676	65,168	-	130,844
Collection	435,596	77,733	82,142	431,187
Total at historical cost	<u>12,485,360</u>	<u>671,216</u>	<u>93,241</u>	<u>13,063,335</u>
Less: Accumulated Depreciation	<u>3,297,331</u>	<u>441,719</u>	<u>92,125</u>	<u>3,646,925</u>
Capital assets – net	<u>\$ 9,188,029</u>	<u>\$ 229,497</u>	<u>\$ 1,116</u>	<u>\$ 9,416,410</u>

NOTE 5 – LEASES

The Library has various leases for copiers and credit card machines. The leases are not material to the financial statements and therefore are not disclosed.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 6 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2025, the liability for these absences was \$207,026 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 7 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

	<u>Compensated Absences</u>	<u>Bond Payable</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability/(Asset)</u>	<u>Total</u>
Payable at June 30, 2024	\$ 179,782	\$ 5,345,000	\$ 1,804,130	\$ (38,819)	\$ 7,290,093
Increase in liability	27,244	-	-	-	27,244
Decrease in liability	-	(150,000)	(80,512)	(11,084)	(241,596)
Payable at June 30, 2025	<u>\$ 207,026</u>	<u>\$ 5,195,000</u>	<u>\$ 1,723,618</u>	<u>\$ (49,903)</u>	<u>\$ 7,075,741</u>

NOTE 8 – BONDS PAYABLE

The Library issued \$6,130,000 of General Obligation Bonds, Series 2018, with an interest rate ranging from 3%-4% for the construction of a library building. The bonds are collateralized against the aforementioned building. The bonds mature on June 1, 2048.

The maturities of bonds payable of \$5,195,000 are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 2026	\$ 150,000	\$ 182,500	\$ 332,500
June 2027	155,000	178,000	333,000
June 2028	160,000	173,350	333,350
June 2029	165,000	168,550	333,550
June 2030	170,000	162,400	332,400
June 2031 - 2035	945,000	726,900	1,671,900
June 2036 - 2040	1,145,000	525,750	1,670,750
June 2041 - 2045	1,365,000	308,788	1,673,788
June 2046 - 2048	940,000	66,675	1,006,675
Total	<u>\$ 5,195,000</u>	<u>\$ 2,492,913</u>	<u>\$ 7,687,913</u>

Premium on Series 2018 Bonds

The Series 2018 Bonds were issued at a premium of \$33,453 which will be amortized over the life of the bonds which was 360 months. The discount will be amortized in the amount of \$1,115 annually until the Bonds mature in 2048.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 9 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2025 were levied on October 1, 2024, on the assessed property located in Marshall County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

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

NOTE 10 – RETIREMENT PLAN

The Library’s employees are provided with the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or at least 4 years of service and 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

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

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

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

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

At June 30, 2025, the Library reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Library as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net pension liability	\$	1,723,618
Commonwealth’s proportionate share of the CERS net pension liability associated with the Library		5,978,700,150
	\$	5,980,423,768

The net pension liability for each plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Library’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the Library’s proportion was 0.028821%, an increase from the prior year proportionate share of 0.028117%.

For the year ended June 30, 2025, the Library recognized pension expense of \$93,020 related to CERS. At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources on the next page:

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 83,426	\$ -
Changes of assumptions	-	77,874
Difference between projected and actual earnings	118,374	229,193
Changes in proportionate share and differences between contributions and proportionate share of contributions	38,863	-
Contributions made subsequent to the measurement date	191,497	-
	<u>\$ 432,160</u>	<u>\$ 307,067</u>

The \$191,497 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	Increase (decrease) in pension expense
2026	\$ (40,155)
2027	41,047
2028	(42,600)
2029	(24,696)
Total	<u>\$ (66,404)</u>

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

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.50%, net of plan investment expense, including inflation

For CERS, the mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan. The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table on the next page:

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

Asset Class	Target	Long-term Expected Real
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	<u>5.35%</u>
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Discount rate—The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the Library’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the Library, calculated using the discount rates selected by each pension system, as well as what the Library’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Library’s proportionate share of net pension
1% decrease	5.50%	\$ 2,222,025
Current discount rate	6.50%	\$ 1,723,618
1% increase	7.50%	\$ 1,310,071

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

Other Post-Employment Benefits (OPEB) Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the Library reported a liability for its proportionate share of the OPEB liability(asset) for CERS. The amount recognized by the Library as its proportionate share of the net OPEB liability(asset), the related Commonwealth support, and the total portion of the net OPEB liability(asset) that was associated with the Library were as follows:

Library's proportionate share of the CERS net OPEB liability(asset)	\$ (49,903)
Commonwealth’s proportionate share of the CERS net OPEB liability(asset) associated with the Library	<u>(172,930,239)</u>
	<u><u>\$ (172,980,142)</u></u>

The net OPEB liability(asset) for each plan was measured as of June 30, 2024, and the total OPEB liability(asset) used to calculate the net OPEB liability(asset) was determined by an actuarial valuation as of that date.

The Library’s proportion of the net OPEB liability(asset) for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the Library’s proportion was 0.028849% an increase from the prior year proportionate share of 0.028116%.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2025, the Library recognized OPEB income of \$150,007 related to CERS. At June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 27,686	\$ 392,639
Changes of assumptions	45,218	35,212
Difference between projected and actual earnings	43,866	89,406
Changes in proportionate share and differences between contributions and proportionate share of contributions	15,713	19,064
Contributions made subsequent to the measurement date	-	-
	<u>\$ 132,483</u>	<u>\$ 536,321</u>

There were no Library contributions subsequent to the measurement date to be recognized as a reduction of the net OPEB liability(asset) in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2026	\$ (169,706)
2027	(125,814)
2028	(105,096)
2029	(3,222)
Total	<u>\$ (403,838)</u>

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

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.

For CERS, the mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.50% per annum for both the non-hazardous and hazardous plan.

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Real</u>
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Core Fixed Income	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	<u>5.35%</u>
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Discount rate— Single discount rates of 5.93% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2023. 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.

Sensitivity of the Library’s proportionate share of net OPEB liability(asset) to changes in the discount rate—The following table presents the net OPEB liability(asset) of the Library, calculated using the discount rates selected by each OPEB system, as well as what the Library’s net OPEB liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>Discount rate</u>	<u>Library’s proportionate share of net OPEB liability(asset)</u>
1% decrease	4.99%	\$ 67,475
Current discount rate	5.99%	\$ (49,903)
1% increase	6.99%	\$ (148,594)

Sensitivity of the Library’s proportionate share of net OPEB liability(asset) to changes in the healthcare cost trend rate—The following table on the next page presents the net OPEB liability(asset) of the Library, calculated using the current healthcare cost trend rate selected by each OPEB system, as well as what the Library’s net OPEB liability(asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Marshall County Public Library
Notes to Financial Statements
June 30, 2025

NOTE 10 – RETIREMENT PLAN (CONTINUED)

	Library’s proportionate share of net OPEB liability(asset)
1% decrease	\$ (120,061)
Current healthcare cost trend rate	\$ (49,903)
1% increase	\$ 31,826

OPEB plan fiduciary net position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS.

NOTE 11 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through February 10, 2026, the date this report became available for issuance.

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

To the Board of Trustees
Marshall County Public Library
Benton, 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 Marshall County Public Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Marshall County Public Library's basic financial statements, and have issued our report thereon dated February 10, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marshall 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 Marshall County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall County Public Library's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2025-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall 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 determination of financial statement amounts. 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*.



Marshall County Public Library's Response to Findings

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

Purpose of this Report

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

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
February 10, 2026

MARSHALL COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

FINDINGS- FINANCIAL STATEMENT AUDIT

2025-001

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Organization Response and Corrective Action Plan:

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

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

Marshall County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2025

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Taxing district revenues	\$ 2,694,775	\$ 2,694,775	\$ 2,650,113	\$ (44,662)
Grant revenues	-	-	36,480	36,480
Investment income	15,000	15,000	73,534	58,534
Charges for services	13,500	13,500	16,386	2,886
Other revenues	-	-	2,236	2,236
Total Revenues	<u>2,723,275</u>	<u>2,723,275</u>	<u>2,778,749</u>	<u>55,474</u>
Expenditures				
Personnel expenses	1,639,000	1,639,000	1,511,794	127,206
Library materials	190,000	190,000	103,836	86,164
Telephone and utilities	92,000	92,000	78,705	13,295
Insurance	70,000	70,000	80,940	(10,940)
Public relations	20,000	20,000	28,516	(8,516)
Programming	43,000	43,000	52,505	(9,505)
Office supplies	7,000	7,000	6,722	278
Legal and accounting	25,000	25,000	21,650	3,350
Computer expenses	115,000	115,000	148,177	(33,177)
Van and bookmobile operations	2,000	2,000	12,256	(10,256)
Staff education and dues	15,000	15,000	18,957	(3,957)
Other expenses	2,275	2,275	3,954	(1,679)
Repairs and maintenance	162,500	162,500	199,996	(37,496)
Total Current Expenditures	<u>2,382,775</u>	<u>2,382,775</u>	<u>2,268,008</u>	<u>114,767</u>
Operating capital outlays	-	-	671,216	(671,216)
Debt Service				
Debt service on bonds	<u>340,500</u>	<u>340,500</u>	<u>337,000</u>	<u>3,500</u>
Total Expenditures	<u>2,723,275</u>	<u>2,723,275</u>	<u>3,276,224</u>	<u>(552,949)</u>
Net change in fund balance	-	-	(497,475)	(497,475)
Fund balance - beginning	<u>2,893,661</u>	<u>2,893,661</u>	<u>2,893,661</u>	
Fund balance - ending	<u>\$ 2,893,661</u>	<u>\$ 2,893,661</u>	<u>\$ 2,396,186</u>	

See Independent Auditor's Report.

Marshall County Public Library
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Library's proportion of the net pension liability	0.028821%	0.028117%	0.027335%	0.028984%	0.029540%	0.029565%	0.034070%	0.036690%	0.038310%	0.035240%
Library's proportionate share of the net pension liability	\$ 1,723,618	\$ 1,804,130	\$ 1,976,051	\$ 1,847,957	\$ 2,265,694	\$ 2,079,320	\$ 2,074,723	\$ 2,147,344	\$ 1,886,168	\$ 1,514,964
Library's covered employee payroll	\$ 971,577	\$ 904,809	\$ 816,179	\$ 755,886	\$ 740,316	\$ 793,296	\$ 745,764	\$ 840,584	\$ 897,093	\$ 911,660
Library's share of the net pension liability as a percentage of its covered employee payroll	177.40%	199.39%	242.11%	244.48%	306.04%	262.11%	278.20%	255.46%	210.25%	166.18%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%

Notes: *See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

See Independent Auditor's Report.

Marshall County Public Library
Schedule of Pension Contributions
For the Years Ended June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, and 2016

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	\$ 191,497	\$ 211,182	\$ 190,986	\$ 160,021	\$ 142,881	\$ 153,106	\$ 120,963	\$ 121,717	\$ 167,577	\$ 155,536
Contributions relative to contractually required employer contribution	\$ 191,497	\$ 211,182	\$ 190,986	\$ 160,021	\$ 142,881	\$ 153,106	\$ 120,963	\$ 121,717	\$ 167,577	\$ 155,536
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Company's covered employee payroll	\$ 971,577	\$ 904,809	\$ 816,179	\$ 755,886	\$ 740,316	\$ 793,296	\$ 745,764	\$ 840,584	\$ 897,093	\$ 911,660
Employer contributions as a percentage of covered-employee payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	18.68%	17.06%

Notes: See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

See Independent Auditor's Report.

Marshall County Public Library
 Schedule of Changes in Benefits and Assumptions- Pension
 For the Year Ended June 30, 2025

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2023

- The discount rate was increased from 6.25% to 6.50%

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- The assumed rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions –The following actuarial methods and assumptions were used to determine contribution effective for the fiscal year ended June 30, 2023:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Payroll growth rate	2.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

See Independent Auditor’s Report.

Marshall County Public Library
Schedule of Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018

	2025	2024	2023	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.028849%	0.028116%	0.027331%	0.028977%	0.029532%	0.029558%	0.034070%	0.036690%
Proportionate share of the net OPEB liability(asset)	\$ (49,903)	\$ (38,819)	\$ 539,381	\$ 554,750	\$ 713,108	\$ 497,152	\$ 604,906	\$ 737,514
Covered employee payroll	\$ 971,577	\$ 904,809	\$ 816,179	\$ 755,886	\$ 740,316	\$ 793,296	\$ 745,764	\$ 840,584
Share of the net OPEB liability as a percentage of its covered employee payroll	-5.14%	-4.29%	66.09%	73.39%	96.32%	62.67%	81.11%	87.74%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

Notes: *Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

See Independent Auditor's Report.

Marshall County Public Library
Schedule of OPEB Contributions
For the Years Ended June 30, 2025, 2024, 2023, 2022, 2020, 2019, and 2018

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required employer contribution	\$ -	\$ -	\$ 27,668	\$ 43,690	\$ 35,239	\$ 37,761	\$ 39,227	\$ 39,507
Contributions relative to contractually required employer contribution	\$ -	\$ -	\$ 27,668	\$ 43,690	\$ 35,239	\$ 37,761	\$ 39,227	\$ 39,507
Contribution deficiency (excess)	<u>\$ -</u>							
Company's covered employee payroll	\$ 971,577	\$ 904,809	\$ 816,179	\$ 755,886	\$ 740,316	\$ 793,296	\$ 745,764	\$ 840,584
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

Notes: *Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above. Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.*

See Independent Auditor's Report.

Marshall County Public Library
 Schedule of Changes in Benefits and Assumptions- OPEB
 For the Year Ended June 30, 2025

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

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

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

- 2024
 - The single discount rate was increased from 5.93% to 5.99%
 - The healthcare cost trend rate was updated to better reflect the plan’s anticipated long-term healthcare cost increases.
- 2023
 - The single discount rate was increased from 5.70% to 5.93%
 - The assumed investment rate of return was increased from 6.25% to 6.50%
- 2022
 - The single discount rate was increased from 5.20% to 5.70%
 - The Pre-65 healthcare trend rate was increased from 6.25% to 6.40%
 - The Post-65 healthcare trend rate was increased from 5.50% to 6.30%
- 2021
 - The single discount rate was decreased from 5.34% to 5.20%
- 2020
 - The single discount rate was decreased from 5.68% to 5.34%
- 2019
 - Updated the mortality tables from RP-2000 to Pub-2010
 - The single discount rate was decreased from 5.84% to 5.68%
 - The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.
- 2017
 - The assumed investment rate of return was decreased from 7.50% to 6.25%
 - The assumed rate of inflation was reduced from 3.25% to 2.30%
 - The assumed rate of wage inflation decreased by 0.95%
 - The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The following actuarial methods and assumptions were used to determine contribution effective for fiscal year ending June 30, 2024:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 6.30% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

See Independent Auditor’s Report.