

OWEN 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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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Owen County Public Library

Opinion

We have audited the accompanying financial statements of the governmental activities of the Owen 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 Owen 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 Owen 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 Owen 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 Owen 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 Owen 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 5, and pages 24 through 30 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 January 28, 2026, on our consideration of the Owen 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 Owen County Public Library 's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
January 28, 2026

Owen County Public Library Management's Discussion and Analysis

The Owen 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. The Library spent approximately 8.25% of its tax revenues on Library Materials.*
- II. The Library Board of Trustees took the compensating rate for the property taxes, the Library's income from property increased 1.09% from the previous fiscal year.*
- III. The Library continues to spend on improved equipment and improved services.*

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	\$ 2,477,173	\$ 2,548,541	\$ (71,368)
Other assets	1,149,250	1,109,543	39,707
Deferred outflows	201,166	193,651	7,515
Long-term liabilities	2,305,802	2,313,750	(7,948)
Current liabilities	80,581	79,271	1,310
Deferred inflows	266,589	337,454	(70,865)
Invested in fixed assets	641,673	679,041	(37,368)
Unrestricted net position	532,944	442,219	90,725

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Variance</u>
Taxing district revenues	\$ 867,944	\$ 858,596	\$ 9,348
Grant revenues	10,505	16,679	(6,174)
Investment income	37,172	30,104	7,068
Charges for services	2,042	2,721	(679)
Other revenues	15,126	21,712	(6,586)
Total revenues	<u>932,789</u>	<u>929,812</u>	<u>2,977</u>
Personnel expenses	494,965	454,880	40,085
Library materials	32,293	31,070	1,223
Repairs and maintenance	12,957	5,323	7,634
Utilities	35,654	39,789	(4,135)
Insurance	22,222	17,936	4,286
Office supplies	13,059	16,696	(3,637)
Programming	20,050	19,593	457
Contract services	38,471	37,103	1,368
Postage	1,780	883	897
Miscellaneous	620	4,199	(3,579)
Outreach	2,500	3,375	(875)
Staff education	11,227	1,663	9,564
Public relations	2,992	2,974	18
Dues	2,208	2,566	(358)
Interest expense	57,891	58,930	(1,039)
Depreciation	130,543	123,374	7,169
Total expenditures	<u>879,432</u>	<u>820,354</u>	<u>59,078</u>
Change in net position	<u>\$ 53,357</u>	<u>\$ 109,458</u>	<u>\$ (56,101)</u>

The Library's main source of revenue is property tax, which is approximately 93.30% of the Library's total revenue – slightly lower than the state average of 91.90%. Other income sources included grants, donations, state aid, fines and fees, and insurance proceeds due to damage to the Library building. The personnel expense represents 56.28% of total operating expenditures – below the state average of 64.81%.

Capital Asset Activity

During the 2024-25 fiscal year, the library concluded the LED light project that was started in a previous year. Having all of our lighting converted to LED will save the library a considerable amount of money over time both in energy usage and bulbs.

Budget Highlights

The Library adopts an annual budget at the June Board meeting after it has been presented in both April and May for discussion. The budget is devised through a cooperative team of Board members, Management staff, and input from the library accountant. Several meetings are held prior to the June Board meeting, and goals for the next year are established by the staff and possible expenditures related to those goals are identified. The Operating Budget includes proposed expenses and the means of financing them. The Library's operating budget is amended during the year if unusual events occur. A current Fiscal Year budget comparison for the current month and 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. A procurement policy has been established by the Board to give direction to larger spending amounts.

The Library has operated 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 the library staff has worked diligently to keep the overall budget in line with the projected budget. Some categories may be over but in general the overall amounts are taken to the Board of Trustees for approval before the purchase is made. A summarized comparison on the governmental fund basis to the budget highlights is below:

Budget Comparison for 2024 – 2025			
	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>
Net revenue	\$ 922,500	\$ 932,789	\$ 10,289
Personnel expenses	557,250	537,694	19,556
Library materials	72,500	32,293	40,207
Repairs and maintenance	19,500	12,957	6,543
Utilities	37,500	35,654	1,846
Insurance	22,300	22,222	78
Office supplies	10,000	13,059	(3,059)
Programming	23,500	20,050	3,450
Contract services	40,500	38,471	2,029
Postage	1,200	1,780	(580)
Miscellaneous	1,528	621	907
Outreach	6,000	2,500	3,500
Staff education	10,000	11,227	(1,227)
Public relations	5,000	2,992	2,008
Dues	2,500	2,208	292
Debt service	92,422	92,422	-
Capital outlay	20,800	59,175	(38,375)
Net Income (Loss)	<u>\$ -</u>	<u>\$ 47,464</u>	<u>\$ 47,464</u>

Investment Administration

The Library continues to save funds from unspent fiscal year budgets to use in future capital expansion projects. These funds are invested in Certificates of Deposit, and they are managed by the Library Board of Trustees, and in particular by the Library Board Treasurer. The investment, maturity terms, and monitoring interest rates are the responsibility of the Director and Library Board of Trustees.

Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2026 budget. One of the factors was the local economy and anticipated tax revenue to be expected from the property tax. This is the Library's main source of revenue. The Library's operating expense increases and future capital expansion plans are dependent upon growth in tax revenue. Another main factor considered in the budget was a possible price increase in library collection materials and supplies due to economic tariffs. For this reason, we added a line item in both budget categories labeled "contingency" to track any additional expenses for these items. We budgeted an additional 20% for contingency in these categories.

Contacting the Library Management

The financial report is designed to provide the citizens of Owen 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, Cyndi Clifton or the Treasurer for the Library Board, Glenn Manns.

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

Assets:	
Cash and cash equivalents	\$ 623,342
Investments	500,748
Taxes receivable	5,584
Prepaid expenses	5,355
Net OPEB asset	14,221
Fixed Assets:	
Depreciable buildings, property and equipment, net of depreciation	2,302,173
Land	<u>175,000</u>
Total Fixed Assets	<u>2,477,173</u>
Total Assets	3,626,423
Deferred Outflows of Resources:	
Subsequent pension contributions	56,616
Deferred outflows related to pensions	96,409
Deferred outflows related to OPEB	<u>48,141</u>
Total Deferred Outflows of Resources	<u>201,166</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,827,589</u>
Liabilities:	
Accounts payable and accrued expenses	\$ 11,401
Accrued interest payable	28,680
Current portion of compensated absences	5,000
Current portion of long-term debt	35,500
Long-Term Liabilities:	
Compensated absences	14,630
Long-term debt	1,800,000
Net pension liability	<u>491,172</u>
Total Long-Term Obligations	<u>2,305,802</u>
Total Liabilities	2,386,383
Deferred Inflows of Resources:	
Deferred inflows related to pensions	107,490
Deferred inflows related to OPEB	<u>159,099</u>
Total Deferred Inflows of Resources	266,589
Net Position:	
Unrestricted	532,944
Invested in fixed assets	<u>641,673</u>
Total Net Position	<u>1,174,617</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,827,589</u>

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

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

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Primary Government</u>
Governmental activities				
Cultural and recreations	\$ (879,432)	\$ 2,042	\$ 10,505	\$ (866,885)

General Revenues:	
Taxing district revenues	\$ 867,944
Investment income	37,172
Other income	15,126
Total general revenues	<u>920,242</u>
Change in net position	53,357
Net position - beginning	<u>1,121,260</u>
Net position - ending	<u>\$ 1,174,617</u>

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

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

	Governmental Fund
Assets	
Cash and cash equivalents	\$ 623,342
Investments	500,748
Accounts receivable	5,584
Prepaid expenses	5,355
Total Assets	<u>\$ 1,135,029</u>
Liabilities	
Accounts payable	\$ 11,401
Compensated absences	5,000
Total Liabilities	<u>\$ 16,401</u>
Fund Balances	
Nonspendable	\$ 5,355
Assigned- Contingency	461,250
Assigned- Capital Development	250,000
Assigned- Emergency Reserve	150,000
Unassigned	252,023
Total Fund Balances	<u>\$ 1,118,628</u>
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	\$ 2,477,173
Deferred outflows, inflows, and net pension and OPEB liabilities 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	(542,374)
Certain liabilities (including notes payable, accrued interest payable, and compensated absences) are not due and payable in the current period and therefore, not reported in the fund	<u>(1,878,810)</u>
Net position of governmental activities	<u>\$ 1,174,617</u>

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

Owen 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	\$ 867,944
Grant revenues	10,505
Investment income	37,172
Charges for services	2,042
Other revenues	15,126
Total Revenues	<u>932,789</u>
Expenditures	
Personnel expenses	537,694
Library materials	32,293
Repairs and maintenance	12,957
Utilities	35,654
Insurance	22,222
Office supplies	13,059
Programming	20,050
Contract services	38,471
Postage	1,780
Miscellaneous	621
Outreach	2,500
Staff education	11,227
Public relations	2,992
Dues	2,208
Debt service	92,422
Total Current Expenditures	826,150
Operating capital outlays	59,175
Total Expenditures	<u>885,325</u>
Net change in fund balance	47,464
Fund balance - beginning	1,071,164
Fund balance - ending	<u><u>\$ 1,118,628</u></u>

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

Owen 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	\$	47,464
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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 expense.

Capital Outlay		59,175
Depreciation Expense		(130,543)

Governmental Funds report pension and OPEB related expenses of \$69,549. However, the Statement of Net Position reports pension and OPEB expense calculated pursuant to GASB 68 and 75 of \$13,057.

56,492

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

34,000

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.

(13,231)

Change in Net Position of Governmental Activities

	\$	53,357
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The accompanying notes are an integral part of these financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Owen County Public Library was founded in 1946 and became a special taxing district in 1968. This public library district was formed by the Owen County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Owen County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. 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 Owen 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.

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Equipment & furniture	5-15 years
Buildings & improvements	15-40 years
Vehicles	5-10 years
Library collection	7 years

Depreciation for the year ended June 30, 2025, was \$130,543.

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	\$ 5,355
Assigned- Contingency	461,250
Assigned- Capital Development	250,000
Assigned- Emergency Reserve	150,000
Unassigned	252,023

Owen 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 and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the benefits, and retirement 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 and OPEB. 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	\$	250,000
Category 2	\$	892,185
Category 3	\$	-

NOTE 3 – 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 4 – INVESTMENTS

Investments are carried at cost which approximates fair market value.

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.

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

NOTE 4 – INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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.

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:

		Quoted Prices in Active Markets for Identical Assets/Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>Fair value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Certificates of deposit	\$ 500,748	\$ -	\$ 500,748	\$ -
Total	<u>\$ 500,748</u>	<u>\$ -</u>	<u>\$ 500,748</u>	<u>\$ -</u>

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

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities	June 30, 2024	Increases	Decreases	June 30, 2025
Land	\$ 175,000	\$ -	\$ -	\$ 175,000
Building and improvements	3,066,828	13,800	-	3,080,628
Furniture, fixtures, and equipment	280,795	6,021	-	286,816
Vehicles	72,847	-	-	72,847
Books, publications and microfilm	652,021	39,354	-	691,375
Total at historical cost	<u>4,247,491</u>	<u>59,175</u>	<u>-</u>	<u>4,306,666</u>
Less: Accumulated Depreciation	<u>(1,698,950)</u>	<u>(130,543)</u>	<u>-</u>	<u>(1,829,493)</u>
Capital assets – net	<u>\$ 2,548,541</u>	<u>\$ (71,368)</u>	<u>\$ -</u>	<u>\$ 2,477,173</u>

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

NOTE 6 – GENERAL OBLIGATIONS BONDS

The Library issued \$2,163,000 of General Obligation Project Bonds, Series 2013, dated February 19, 2013, with an average interest rate of 3.125% to finance the construction of the new library building in Owenton, Kentucky. The bonds are due in annual installments through January 1, 2053. The bonds are collateralized by the revenues and of Library. The maturities of the bond payable of \$1,835,500 is summarized as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2026	\$ 35,500	\$ 57,359	\$ 92,859
2027	37,000	56,250	93,250
2028	38,500	55,094	93,594
2029	40,000	53,891	93,891
2030	42,000	53,891	95,891
2031 - 2035	237,500	249,547	487,047
2036 - 2040	292,500	210,797	503,297
2041 - 2045	360,000	163,063	523,063
2046 - 2050	443,000	104,297	547,297
2051 - 2053	309,500	32,172	341,672
Total	<u>\$ 1,835,500</u>	<u>\$ 1,036,361</u>	<u>\$ 2,871,861</u>

NOTE 7 – 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 \$19,630 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

NOTE 8 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

	Compensated Absences	Bonds Payable	Net Pension Liability	Net OPEB Liability(Asset)
Payable at June 30, 2024	\$ 18,181	\$ 1,869,500	\$ 465,069	\$ (10,006)
Increase in liability	1,449	-	26,103	-
(Decrease) in liability	-	(34,000)	-	(4,215)
Payable at June 30, 2025	<u>\$ 19,630</u>	<u>\$ 1,835,500</u>	<u>\$ 491,172</u>	<u>\$ (14,221)</u>

Owen 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 Owen 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 Owen 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

Owen 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	\$ 491,172
Commonwealth's proportionate share of the CERS net pension liability associated with the Library	<u>5,979,932,596</u>
	<u><u>\$ 5,980,423,768</u></u>

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 0.008213%, an increase from the prior year proportionate share of 0.007248%.

For the year ended June 30, 2025, the Library recognized pension expense of \$36,975 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:

Owen 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	\$ 23,774	\$ -
Changes of assumptions	-	22,191
Difference between projected and actual earnings	33,732	65,312
Changes in proportionate share and differences between contributions and proportionate share of contributions	38,903	19,987
Contributions made subsequent to the measurement date	56,616	-
	<u>\$ 153,025</u>	<u>\$ 107,490</u>

The \$56,616 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	\$ (16,011)
2027	24,107
2028	(12,140)
2029	(7,037)
Total	<u>\$ (11,081)</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:

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

NOTE 10 – RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	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 liability
1% decrease	5.50%	\$ 633,201
Current discount rate	6.50%	\$ 491,172
1% increase	7.50%	\$ 373,326

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)	\$ (14,221)
Commonwealth's proportionate share of the CERS net OPEB liability(asset) associated with the Library	<u>(172,965,921)</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 0.008221% an increase from the prior year proportionate share of 0.007247%.

Owen 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 \$23,918 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	\$ 7,889	\$ 111,889
Changes of assumptions	12,886	10,034
Difference between projected and actual earnings	12,500	25,478
Changes in proportionate share and differences between contributions and proportionate share of contributions	14,866	11,698
Contributions made subsequent to the measurement date	-	-
	<u>\$ 48,141</u>	<u>\$ 159,099</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	\$ (45,219)
2027	(35,129)
2028	(31,364)
2029	754
Total	<u>\$ (110,958)</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.

Owen 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:

Asset Class	Target Allocation	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— 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.

	Discount rate	Library’s proportionate share of net OPEB liability(asset)
1% decrease	4.99%	\$ 19,228
Current discount rate	5.99%	\$ (14,221)
1% increase	6.99%	\$ (42,344)

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.

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

NOTE 10 – RETIREMENT PLAN (CONTINUED)

	<u>Library's proportionate share of net OPEB liability(asset)</u>
1% decrease	\$ (34,213)
Current healthcare cost trend rate	\$ (14,221)
1% increase	\$ 9,069

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 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through January 28, 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
Owen County Public Library
Owenton, 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 Owen County Public Library, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Owen County Public Library's basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control Over Financial Reporting

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



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
January 28, 2026

Owen 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	\$ 860,000	\$ 860,000	\$ 867,944	\$ 7,944
Grant revenues	5,000	5,000	10,505	5,505
Investment income	24,000	24,000	37,172	13,172
Charges for services	7,000	7,000	2,042	(4,958)
Other revenues	26,500	26,500	15,126	(11,374)
Total Revenues	922,500	922,500	932,789	10,289
Expenditures				
Personnel expenses	557,250	557,250	537,694	19,556
Library materials	72,500	72,500	32,293	40,207
Repairs and maintenance	19,500	19,500	12,957	6,543
Utilities	37,500	37,500	35,654	1,846
Insurance	22,300	22,300	22,222	78
Office supplies	10,000	10,000	13,059	(3,059)
Programming	23,500	23,500	20,050	3,450
Contract services	40,500	40,500	38,471	2,029
Postage	1,200	1,200	1,780	(580)
Miscellaneous	1,528	1,528	621	907
Outreach	6,000	6,000	2,500	3,500
Staff education	10,000	10,000	11,227	(1,227)
Public relations	5,000	5,000	2,992	2,008
Dues	2,500	2,500	2,208	292
Total Current Expenditures	809,278	809,278	733,728	75,550
Operating capital outlays	20,800	20,800	59,175	(38,375)
Debt service on bonds	92,422	92,422	92,422	-
Total Expenditures	922,500	922,500	885,325	37,175
Net change in fund balance	-	-	47,464	47,464
Fund balance - beginning	1,071,164	1,071,164	1,071,164	
Fund balance - ending	\$ 1,071,164	\$ 1,071,164	\$ 1,118,628	

See Independent Auditor's Report.

Owen 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
Proportion of the net pension liability	0.008213%	0.007248%	0.008173%	0.007785%	0.007747%	0.007924%	0.007792%	0.007922%	0.011594%	0.011687%
Proportionate share of the net pension liability	\$ 491,172	\$ 465,069	\$ 590,827	\$ 496,340	\$ 594,188	\$ 557,299	\$ 474,557	\$ 462,787	\$ 570,834	\$ 502,506
Covered employee payroll	\$ 287,244	\$ 257,837	\$ 210,385	\$ 226,000	\$ 198,859	\$ 198,452	\$ 199,884	\$ 193,092	\$ 192,880	\$ 276,570
Share of the net pension liability as a percentage of its covered employee payroll	170.99%	180.37%	280.83%	219.62%	298.80%	280.82%	237.42%	239.67%	295.95%	181.69%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.34%	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.

Owen 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	\$ 56,616	\$ 60,179	\$ 49,230	\$ 51,483	\$ 38,381	\$ 38,301	\$ 32,421	\$ 27,965	\$ 26,907	\$ 34,350
Contributions relative to contractually required employer contribution	\$ 56,616	\$ 60,179	\$ 49,230	\$ 51,483	\$ 38,381	\$ 38,301	\$ 32,421	\$ 27,965	\$ 26,907	\$ 34,350
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Company's covered employee payroll	\$287,244	\$257,837	\$ 210,385	\$ 226,000	\$ 198,859	\$ 198,452	\$ 199,884	\$ 193,092	\$ 192,880	\$ 276,570
Employer contributions as a percentage of covered-employee payroll	19.71%	23.34%	23.40%	22.78%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

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.

Owen 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.

Owen 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, 2018, and 2017

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of the net OPEB liability(asset)	0.008221%	0.007247%	0.008088%	0.007785%	0.007747%	0.007924%	0.007792%	0.007922%	0.011594%
Proportionate share of the net OPEB liability(asset)	\$ (14,221)	\$ (10,006)	\$ 161,276	\$ 149,038	\$ 187,018	\$ 133,244	\$ 138,345	\$ 159,255	\$ 124,918
Covered employee payroll	\$ 287,244	\$ 257,837	\$ 210,385	\$ 226,000	\$ 198,859	\$ 198,452	\$ 199,884	\$ 193,092	\$ 192,880
Share of the net OPEB liability(asset) as a percentage of its covered employee payroll	-4.95%	-3.88%	76.66%	65.95%	94.05%	67.14%	69.21%	82.48%	64.76%
Plan fiduciary net position as a percentage of the total OPEB liability(asset)	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

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.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ -	\$ -	\$ 7,132	\$ 9,424	\$ 9,466	\$ 9,446	\$ 10,514	\$ 9,077	\$ 9,123
Contributions relative to contractually required employer contribution	\$ -	\$ -	\$ 7,132	\$ 9,424	\$ 9,466	\$ 9,446	\$ 10,514	\$ 9,077	\$ 9,123
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 287,244	\$ 257,837	\$ 210,385	\$ 226,000	\$ 198,859	\$ 198,452	\$ 199,884	\$ 193,092	\$ 192,880
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	3.39%	4.17%	4.76%	4.76%	5.26%	4.70%	4.73%

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.

Owen 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.