

# Logan County Public Library

## Financial Statements

June 30, 2017



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Logan County Public Library  
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June 30, 2017

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**TAB: THOUGHT LEADERSHIP**  
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# REPORT





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## **Independent Auditors' Report**

Board of Trustees  
Logan County Public Library  
Russellville, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund information of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2017, 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension information on pages 4 through 8 and 38 through 40 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 December 15, 2017, on our consideration of the Logan County Public Library's internal control over financial reporting and 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
December 15, 2017



# **FINANCIAL STATEMENTS**

**Logan County Public Library District**  
**Russellville, Kentucky**  
**Management's Discussion and Analysis**  
**Fiscal Year July 1, 2016- June 30, 2017**

This discussion and analysis of the Logan County Public Library District (the Library) is offered by management as a narrative overview of the financial activities of the Library for the fiscal year July 1, 2016 – June 30, 2017. This information should be considered in conjunction with the Library's financial statements, notes to financial statements, and additional information contained in the audit.

The Logan County Public Library District was established in January 1966 by public petition. The Library is governed by a five-member Board of Trustees which is solely responsible for managing the Library's assets and approval of policies. The Library Director is solely responsible for library operation and interpretation of library policy.

The primary source of Library income is property and other local taxes. Less than 2% of the budget is from State Aid.

#### **FINANCIAL HIGHLIGHTS**

- Total net position increased \$98,094. The liability for accrued compensated absences (that which would be owed to staff if the library closed on June 30, 2017) was \$14,787. Beginning general fund balance for July 1, 2016 (beginning of current fiscal year) was \$1,227,461. The ending general fund balance was \$1,405,116, with an increase of \$177,655 for 2016-17. Total assets and liabilities in the government-wide financial statements were \$5,326,555 and \$3,511,761, respectively, with both experiencing increases in the current year. Total deferred inflows and outflows of resources in the government-wide financial statements were \$3,862 and \$202,183, respectively.
- Sources of general revenues for the Library include property tax (\$1,285,854), State Aid (\$17,907), Contributions (\$3,040), Interest Income (\$1,269) and Charges for Services (\$23,856). Charges for services include late fees for overdue library materials, photocopying charges, fees for facsimile transmittal services, sale of surplus property (used and discarded library materials), and other income. Total revenue for the fiscal year totaled \$1,331,926.
- Total expenses for the fiscal year were \$1,154,271, all from the general fund.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Library's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination of reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Library-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net

position may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall economic health of the Library would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Library infrastructure in addition to the financial information provided in this report.

The second of these government-wide statements is the Statement of Activities which reports how the Library's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Library's distinct activities or functions on revenues provided by the Library's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Library that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The Library's financial reporting includes the funds of the Library (primary government) and an organization, to which the Library is accountable (component unit). The legally separate organization serves as the financing vehicle for library services (revenue bond issues, and is governed by a board of trustees wholly comprised of the Library's director and board members). The component unit is blended in the accompanying financial statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Library's most significant funds rather than the Library as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The major funds for the Library are the general fund and the construction fund.

## FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

<b>Net Position for June 30, 2017 and June 30, 2016</b>		
	<b>FY17</b>	<b>FY16</b>
Cash	\$ 1,047,660	\$ 869,393
Investments	408,097	406,827
Accounts receivable	14,297	4,743
Prepaid expenses	-	5,327
Capital assets, net	3,856,501	3,936,358
<b>Total assets</b>	<b>5,326,555</b>	<b>5,222,648</b>
Pension related	202,183	135,969
<b>Total deferred outflows of resources</b>	<b>202,183</b>	<b>135,969</b>
Accounts payable	7,541	4,984
Compensated absences	14,787	10,385
Accrued liabilities	22,017	22,867
Accrued interest	6,684	6,740
Long-term liabilities	2,619,493	2,689,582
Net pension liability	841,239	702,619
<b>Total liabilities</b>	<b>3,511,761</b>	<b>3,437,177</b>
Pension related	3,862	6,419
<b>Total deferred inflows of resources</b>	<b>3,862</b>	<b>6,419</b>
Investment in capital assets	1,237,008	1,246,776
Restricted funds	20,593	20,593
Unrestricted funds	755,514	647,652
<b>Total net position</b>	<b>\$ 2,013,115</b>	<b>\$ 1,915,021</b>

## REVENUES

Revenues are \$1,331,926 for the year ended June 30, 2017, representing an increase of \$40,718 from \$1,291,208 for the year ended June 30, 2016.

	<b>FY2017</b>	<b>FY2016</b>
Program revenues:		
Charges for services	\$ 23,856	\$ 22,006
Operating grants and contributions	-	\$ 2,000
Capital grants and contributions	3,040	375
Total program revenues	26,896	24,381
General revenues:		
Property taxes	1,285,854	1,245,630
State aid	17,907	19,677
Interest income	1,269	1,520
Total general revenues	1,305,030	1,266,827
Total revenues	\$ 1,331,926	\$ 1,291,208

## EXPENSES

Expenses are \$1,233,832 for the year ended June 30, 2017, representing an increase of \$60,536 from \$1,173,296 for the year ended June 30, 2016.

	<b>FY2017</b>	<b>FY2016</b>
Personnel	\$ 605,201	\$ 559,237
Fringe benefits	185,863	192,155
General operations	131,565	118,625
Library materials	15,785	11,580
Continuing education	10,250	5,436
Electronic access	18,691	5,799
Bookmobile expense	1,665	1,580
Depreciation expense- unallocated	175,591	182,572
Loss on disposal of equipment	7,027	13,482
Interest expense	82,194	82,830
Total expenses	\$ 1,233,832	\$ 1,173,296

## NET POSITION

Ending net position is \$2,013,115 for the year ended June 30, 2017, representing an increase of \$98,094 from \$1,915,021 for the year ended June 30, 2016.

	<b>FY2017</b>	<b>FY2016</b>
Beginning net position	\$ 1,915,021	\$ 1,797,109
Change in net position	98,094	117,912
<b>Ending net position</b>	<b>\$ 2,013,115</b>	<b>\$ 1,915,021</b>

## NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements. As of fiscal year ended June 30, 2017, the library had no material misstatements.

## FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$1,425,709. \$1,405,116 of these funds are unreserved, indicating availability of continuing Library service requirements. The remaining \$20,593 is reserved for the

building project. The total ending fund balances of governmental funds show an increase of \$177,655 from the previous year.

### **CAPITAL ASSETS**

Disposals of books, videos, equipment, furniture, and computers amounted to \$63,576. Net book value of assets at June 30, 2017 is \$3,856,501, a decrease from 2016 of \$79,857.

### **LONG TERM DEBT**

At year-end the Library had \$2,660,000 in general obligation bonds outstanding. This was a decrease of 2.6% over last year. The decrease was due to the normal repayment of bonds. Additionally, the library added a \$841,239 net pension liability.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget for fiscal year 2016-2017 was \$1,202,800 for revenues and \$1,223,233 for expenses. The difference in these two amounts was due to a managerial decision not to transfer building fund remainders into the general fund at that time. Expenses were under budget by \$68,962 and revenues were over budget by \$129,126, resulting in a favorable variance of \$198,088. The General Fund budget complies with financial policies approved by the Board of Trustees for the maintenance of core Library services.

### **ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS TO RATES**

The general outlook for the Library for the next year is for continued moderate growth producing an improvement over the current fiscal year. In general, any major swings in the overall economy have a smaller effect on the Library due to the diversity of the local economy.

### **CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Library's finances, comply with finance-related laws and regulations, and demonstrate the Library's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Director, Logan County Public Library, 225 Armory Drive, PO Box 357, Russellville, Kentucky 42276.

Logan County Public Library  
Statement of Net Position

<i>June 30, 2017</i>	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 1,047,660
Investments	408,097
Accounts receivable	14,297
Capital assets, net of depreciation	3,856,501
<hr/>	
Total assets	5,326,555
<hr/>	
<b>Deferred Outflows of Resources</b>	
Pension related	202,183
<hr/>	
Total deferred outflows of resources	202,183
<hr/>	
<b>Liabilities</b>	
Accounts payable	7,541
Compensated absences	14,787
Accrued liabilities	22,017
Accrued interest	6,684
Long-term obligations:	
Due within one year:	
Outstanding bonds	70,000
Other	1,788
Due beyond one year:	
Outstanding bonds	2,546,960
Other	745
Net pension liability	841,239
<hr/>	
Total liabilities	3,511,761
<hr/>	

*See accompanying notes to the financial statements.*

Logan County Public Library  
Statement of Net Position

	<b>Governmental Activities</b>
<i>June 30, 2017</i>	
<hr/>	
<b>Deferred Inflows of Resources</b>	
Pension related	3,862
<hr/>	
Total deferred inflows of resources	3,862
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	1,237,008
Restricted for capital outlay	20,593
Unrestricted	755,514
<hr/>	
Total net position	\$ 2,013,115
<hr/> <hr/>	

*See accompanying notes to the financial statements.*

Logan County Public Library  
Statement of Activities

<i>Year Ended June 30, 2017</i>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Personnel	\$ 605,201	\$ -	\$ -	\$ -	\$ (605,201)
Fringe benefits	185,863	-	-	-	(185,863)
General operations	131,565	23,856	-	3,040	(104,669)
Library materials	15,785	-	-	-	(15,785)
Continuing education	10,250	-	-	-	(10,250)
Electronic access	18,691	-	-	-	(18,691)
Bookmobile expense	1,665	-	-	-	(1,665)
Depreciation expense-unallocated	175,591	-	-	-	(175,591)
Loss on disposal of equipment	7,027	-	-	-	(7,027)
Interest expense	82,194	-	-	-	(82,194)
<b>Total governmental activities</b>	<b>\$ 1,233,832</b>	<b>\$ 23,856</b>	<b>\$ -</b>	<b>\$ 3,040</b>	<b>(1,206,936)</b>

**General Revenues**

Property taxes	1,285,854
State aid	17,907
Interest income	1,269
<b>Total general revenues</b>	<b>1,305,030</b>
Change in net position	98,094
Net position - beginning of year	1,915,021
<b>Net position - end of year</b>	<b>\$ 2,013,115</b>

See accompanying notes to the financial statements.

Logan County Public Library  
Balance Sheet  
Governmental Funds

<i>June 30, 2017</i>	General Fund	Construction Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 1,027,067	\$ 20,593	\$ 1,047,660
Investments	408,097	-	408,097
Accounts receivable	14,297	-	14,297
<b>Total assets</b>	<b>\$ 1,449,461</b>	<b>\$ 20,593</b>	<b>\$ 1,470,054</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 7,541	\$ -	\$ 7,541
Compensated absences	14,787	-	14,787
Accrued liabilities	22,017	-	22,017
<b>Total liabilities</b>	<b>44,345</b>	<b>-</b>	<b>44,345</b>
<b>Fund Balances</b>			
Restricted	-	20,593	20,593
Unassigned	1,405,116	-	1,405,116
<b>Total fund balances</b>	<b>1,405,116</b>	<b>20,593</b>	<b>1,425,709</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,449,461</b>	<b>\$ 20,593</b>	<b>\$ 1,470,054</b>

*See accompanying notes to the financial statements.*

Logan County Public Library  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position

<i>June 30,</i>	<b>2017</b>
Total fund balances - governmental funds	\$ 1,425,709
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$4,680,249, and the accumulated depreciation is \$823,748.	3,856,501
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	198,321
Long-term liabilities, including bonds payable and accrued interests, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(2,616,960)
Other debt	(2,533)
Accrued interest on outstanding bonds	(6,684)
Net pension liability	(841,239)
Total net position - governmental activities	\$ 2,013,115

*See accompanying notes to the financial statements.*

Logan County Public Library  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds

<i>Year Ended June 30, 2017</i>	<b>General Fund</b>	<b>Construction Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 1,285,854	\$ -	\$ 1,285,854
Intergovernmental - state	17,907	-	17,907
Contributions	3,040	-	3,040
Fines, copies, faxes, and computer printouts	19,870	-	19,870
Interest income	1,269	-	1,269
Other income	3,986	-	3,986
<b>Total revenues</b>	<b>1,331,926</b>	<b>-</b>	<b>1,331,926</b>
<b>Expenditures</b>			
Personnel	535,354	-	535,354
Fringe benefits	185,863	-	185,863
Capital outlay	3,511	-	3,511
General operations	131,242	-	131,242
Library materials	95,449	-	95,449
Continuing education	10,250	-	10,250
Electronic access	28,554	-	28,554
Bookmobile	13,499	-	13,499
Debt service: principal	70,000	-	70,000
Debt service: interest	80,549	-	80,549
<b>Total expenditures</b>	<b>1,154,271</b>	<b>-</b>	<b>1,154,271</b>
Net change in fund balances	177,655	-	177,655
Fund balances - beginning of year	1,227,461	20,593	1,248,054
<b>Fund balances - end of year</b>	<b>\$ 1,405,116</b>	<b>\$ 20,593</b>	<b>\$ 1,425,709</b>

*See accompanying notes to the financial statements.*

Logan County Public Library  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures, and Changes in Fund Balance to the Statement of Activities

<i>Year Ended June 30,</i>	<b>2017</b>
Total net change in fund balances - governmental funds	\$ 177,655
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$175,591) exceeds capital outlay (\$102,761) in the period.	(72,830)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(7,027)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	71,788
Government funds report Library pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Library pension contributions	54,923
Cost of benefits earned net of employee contributions	(124,770)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(1,645)
Change in net position - governmental activities	\$ 98,094

*See accompanying notes to the financial statements.*

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***General Statement***

The Logan County Public Library (the "Library") was created by petition in 1966 under the provisions of KRS 173.710 to 173.800 as a special taxing district. The mission of the Logan 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 Logan 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.

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

***Reporting Entity***

The Board of the Logan County Public Library (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to the public lending of materials within Logan County. The Library receives funding from local and state government sources and must comply with the commitment requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are nominated by the Board and approved by Logan County Fiscal Court (the "Fiscal Court"). The Fiscal Court's authority is not substantive and is limited by a nomination process. The Library is a legally separate organization that can sue and be sued in their own name. The Board has decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The financial statements of the Library include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included as a blended component unit in the accompanying financial statements:

**Logan County Public Library District Property Corporation** — The Logan County Public Library resolved to authorize the establishment of the Logan County Public Library District Property Corporation (a non-profit, non-stock, public, and charitable corporation) as an agency of the Library for financing the costs of building improvements. The Board members of the Logan County Public Library also comprise the Corporation's Board of Trustees.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Library’s assets and liabilities, including capital assets, as well as long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Library are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents the degree to which the expenses of a given function or segment are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Revenues that are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Library.

**Fund Financial Statements** — Fund financial statements report detailed information about the Library’s funds. Separate statements for each fund category—governmental funds are presented. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned. Information concerning the Library's fund balances can be found in Note 6.

The Library has the following funds:

**Governmental Fund Types**

The *General Fund* is the primary operating fund of the Library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balance is considered as resources available for use. The general fund is a major fund.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

***Basis of Accounting***

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

***Budget***

The Library adopts an annual budget for the General Fund. The budget is prepared on the cash basis, a comprehensive basis of accounting other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized and recorded when received in cash and when paid, respectively. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. A reconciliation of the cash basis actual amounts in the budgetary comparison to the GAAP basis actual amounts in the fund and government-wide statements is shown at the bottom of the budgetary comparison schedule if significant variances exist. The amended budget amounts presented in the accompanying financial statements have been adjusted for authorized amendments of the annual budget adopted by the Library Board. All appropriations lapse at year end.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Estimates***

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

***Investments***

Investments are reported at cost, which approximates fair value. Investments consist of non-broker short-term certificates of deposit.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library maintains a capitalization threshold of \$1,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Library depreciates capital assets over the estimated useful life of the asset using the straight-line method of depreciation as follows:

<b>Description</b>	<b>Estimated Lives</b>
Building and improvements	25-50 years
Furniture and equipment	10 years
Technology equipment	5 years
Vehicles	10 years
Books	7 years
Software	3 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in fund financial statements.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Outflows of Resources***

The Library reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the Library's defined benefit pension plan between the measurement date of the net pension liability from the plan and the end of the Library's fiscal year and (2) and deferred outflows of resources related to the differences between the expected and actual demographics for the cost sharing defined benefit plan. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amounts related to the actuarial assumptions for demographic factors in the cost sharing pension plan will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

***Deferred Inflows of Resources***

The Library's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. Deferred inflows of resources are reported in the Library's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportionate share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The Library will not recognize the related revenues until they are available (collected not later than 60 days after the end of the Library's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The Library proportionate share of pension amounts were further allocated to each participating employer based on the salaries paid by each employer. Pension investments are reported at fair value. Note 7 provides further detail on the net pension liability.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Post-Employment Health Care Benefits***

Retired Library employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS plan.

***Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

***Compensated Absences***

Compensated absences are those absences for which employees will be paid, such as vacation days. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Library and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Library and its employees are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements and fund statements.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. Bonds are recognized as a liability on the fund statements when due.

***Net Position***

The Library classifies its net position into the following three categories:

*Net investment in capital assets* - This represents the Library's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position (Continued)***

*Restricted* - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

*Unrestricted* - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Library's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

***Property Taxes***

Property taxes collected are recorded as revenues in the general fund. The assessment date of the property taxes is January 1 of each year. The final levy is normally approved September 1 through September 15. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31, during which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

***Revenues — Exchange and Nonexchange Transactions***

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Library, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the Library, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Nonexchange Transactions (Continued)***

On the modified accrual basis, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the Library must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the Library on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

***Subsequent Events***

The Library has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through December 15, 2017, which was the date the financial statements were made available.

***Recent Accounting Pronouncements***

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to address accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement becomes effective for the fiscal year beginning July 1, 2017. The Library is evaluating the requirements of this Statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Library is evaluating the requirements of this Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Accounting Pronouncements (Continued)***

of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Library is evaluating the requirements of this Statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Library is evaluating the requirements of this Statement.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Library is evaluating the requirements of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Library is evaluating the requirements of this Statement.

**NOTE 2: CASH AND INVESTMENTS**

***Deposits***

At June 30, 2017, the carrying amount of the Library's deposits reflected in cash and investments was \$1,455,757 and bank balances were \$1,471,635. All balances are covered by federal depository insurance (FDIC) or are secured by pledged securities held by the pledging financial institution's agent in the Library's name as collateral for bank balances in excess of the FDIC insured amount.

***Custodial Credit Risk-Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a formal deposit policy for custodial credit risk. However, the Library is required by state statute that bank deposits must be collateralized. The Library's bank balance of \$1,471,635 was not exposed to custodial credit risk as of June 30, 2017.

***Investments***

The Library's investments, which are stated at cost, at June 30, 2017 are as follow:

<b>June 30, 2017</b>			
<b>Investment</b>	<b>Rating</b>	<b>Maturities</b>	<b>Fair Value</b>
CD-nonbrokered	N/R	5/9/2018	\$ 206,237
CD-nonbrokered	N/R	8/27/2017	201,860
Total			\$ 408,097

***Interest Rate Risk***

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Under Kentucky Revised Statutes Section 66.480, the Library is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies, and securities in mutual funds shall be eligible investments pursuant to this section. The Library has no investment policy that would further limit its investment choices.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

<i>June 30, 2017</i>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital assets that are not depreciated:				
Land	\$ 139,692	\$ -	\$ -	\$ 139,692
Capital assets that are depreciated:				
Building	3,507,638	-	-	3,507,638
Equipment	64,135	8,625	-	72,760
Furniture	248,264	1,400	-	249,664
Computers	85,617	1,238	(2,400)	84,455
General	2,086	-	-	2,086
Vehicles	8,500	11,834	-	20,334
Collection	585,132	79,664	(61,176)	603,620
Total depreciable cost	4,501,372	102,761	(63,576)	4,540,557
Less: accumulated depreciation	(704,706)	(175,591)	56,549	(823,748)
Total depreciable cost-net	3,796,666	(72,830)	(7,027)	3,716,809
Governmental activities, capital assets-net	\$ 3,936,358	\$ (72,830)	\$ (7,027)	\$ 3,856,501

**NOTE 4: COMPENSATED ABSENCES**

Employees are allowed to accrue vacation hours, which are vested up to 140 hours. Accordingly, the employees can be paid for unused vacation days upon termination of employment up to 140 hours.

A liability for accumulated vacation hours is accrued when incurred in the government-wide financial statements and fund statements.

The amount accrued in the government-wide and fund financial statements are \$14,787 at June 30, 2017.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 5: LONG-TERM OBLIGATIONS**

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>		
2012	\$ 2,940,000	.70%–3.50%		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	
2018	\$ 70,000	\$ 79,814	\$ 149,814	
2019	75,000	78,944	153,944	
2020	75,000	77,894	152,894	
2021	75,000	76,694	151,694	
2022	75,000	75,344	150,344	
2023-2027	420,000	345,820	765,820	
2028-2032	480,000	277,625	757,625	
2033-2037	565,000	192,381	757,381	
2038-2042	675,000	86,982	761,982	
2043	150,000	2,625	152,625	
	<u>\$ 2,660,000</u>	<u>\$ 1,294,123</u>	<u>\$ 3,954,123</u>	

Maturities of other debt are as follow for the fiscal years ending:

<u>June 30,</u>	
2018	\$ 1,788
2019	745
	<u>\$ 2,533</u>

The Library is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Logan County Public Library District Property Corporation to construct facilities. The Library has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)**

Long-term liability activity for the year ended June 30, 2017 was as follows:

<i>June 30, 2017</i>	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Bonds payable:					
Bonds	\$ 2,730,000	\$ -	\$ 70,000	\$ 2,660,000	\$ 70,000
Less discount	(44,739)	-	(1,699)	(43,040)	-
<b>Total bonds</b>	<b>2,685,261</b>	<b>-</b>	<b>68,301</b>	<b>2,616,960</b>	<b>70,000</b>
Other liabilities:					
Other	4,321	-	1,788	2,533	1,788
<b>Total other liabilities</b>	<b>4,321</b>	<b>-</b>	<b>1,788</b>	<b>2,533</b>	<b>1,788</b>
<b>Total long-term liabilities</b>	<b>\$ 2,689,582</b>	<b>\$ -</b>	<b>\$ 70,089</b>	<b>\$ 2,619,493</b>	<b>\$ 71,788</b>

**NOTE 6: FUND BALANCES**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories as follows:

*Nonspendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2017, the Library had no nonspendable fund balances.

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the Library had \$20,593 as restricted funds for capital projects in the construction fund.

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the Library is the Board of Trustees. The Board of Trustees must approve by majority vote the establishment (and modification or rescinding)

**NOTE 6: FUND BALANCES (CONTINUED)**

of a fund balance commitment. At June 30, 2017, the Library had no committed fund balances.

*Assigned fund balances* are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2017 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Library's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations using restricted funds first, followed by committed funds, assigned funds, and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2017 in the governmental funds balance sheet.

**NOTE 7: PENSION PLAN**

**Pension**

The Library participates in the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 7: PENSION PLAN (CONTINUED)**

**General information about the CERS Pension Plan**

**Plan description**

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

**Contributions**

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2017, participating employers contributed 18.68%, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2017 was 18.68%.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the members' accounts while the 1% was deposited to an account created for the payment of health insurance

**NOTE 7: PENSION PLAN (CONTINUED)**

**Contributions (Continued)**

benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

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

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

At June 30, 2017, the Library reported a liability of \$841,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016 using standard update procedures. The Library's proportion of the net pension liability was based on the Library's share of 2016 contributions to the pension plan relative to the 2016 contributions of all participating employers, actuarially determined. At June 30, 2016, the Library's proportion was .017086%. For the year ended June 30, 2017, the Library recognized pension expense of \$120,333.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 7: PENSION PLAN (CONTINUED)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2017, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 3,673	\$ -
Net difference between projected and actual	79,085	-
Change of assumptions	44,564	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	19,938	3,862
District contributions subsequent to the measurement date	54,923	-
Total	\$ 202,183	\$ 3,862

\$54,923 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ended June 30:</i>	
2018	\$ 47,294
2019	\$ 31,641
2020	\$ 30,818
2021	\$ 17,570
Thereafter	-

**NOTE 7: PENSION PLAN (CONTINUED)**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00%, average, including inflation
Inflation rate	3.25%
Discount rate	7.50%

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 7: PENSION PLAN (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
<b>Total</b>	<b>100.0%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

**Sensitivity of the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Library's proportionate share of the net pension liability	\$ 1,048,320	\$ 841,239	\$ 663,729

**NOTE 7: PENSION PLAN (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

***Kentucky Retirement Systems Insurance Fund***

**Plan Description**

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital medical insurance for members receiving benefits from KERS and CERS and other retirement plans administered by the Kentucky Retirement Systems (KRS). The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**Contributions**

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>
20 or more	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly) medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees who participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. As of June 30, 2016, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$12.99 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$19.48 per month for insurance benefits at retirement for

**NOTE 7: PENSION PLAN (CONTINUED)**

**Contributions (Continued)**

every year of earned service without regard to a maximum dollar amount. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of Commonwealth so demands.

On August 6, 2012, the KRS Board voted to cease self-funding of healthcare benefits for most KRS Medicare eligible retirees. The KRS Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Advantage Plan became effective January 1, 2013.

***Deferred Compensation Plans***

The Library offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The Library, therefore, does not show these assets and liabilities in the financial statements.

**NOTE 8: CONTINGENCIES**

The Library receives funding from state agencies, non-public grants, and private donations. These funds may be required to be used for designated purposes. If the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced. The amount of such future refunds, if any, is not expected to be significant. Continuation of the Library's grant program is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

**NOTE 9: INSURANCE AND RELATED ACTIVITIES**

The Library is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Library has purchased certain policies which are retrospectively rated and include workers' compensation insurance.

**NOTE 10: 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. To obtain insurance for workers' compensation, unemployment insurance, errors and omissions, property, and general liability coverage, the Library participates in the Kentucky Association of Counties (KACo) Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for political subdivisions in the State of Kentucky. The Library, along with other participating entities, contributes annual premiums determined by KACo. The amount of the premium is based on actuarial evaluations, rating plans, and other analyses of the amounts necessary for the payment of claims. If, in the opinion of KACo's Board, the assets of the Fund are insufficient to enable the Fund to discharge its legal liabilities and other obligations and to maintain required reserves, the Fund's Board may require certain participating members to contribute supplementary contributions. The Library is not aware of any additional assessments payable to the Fund to cover claims. The Library's claims are submitted to and paid by KACo. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years.

Logan County Public Library  
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2017

	Budgeted amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Property taxes	\$ 1,166,000	\$ 1,166,000	\$ 1,285,854	\$ 119,854
Intergovernmental - state	17,000	17,000	17,907	907
Contributions	-	-	3,040	3,040
Fines, copies and faxes	19,300	19,300	19,870	570
Interest income	500	500	1,269	769
Other income	-	-	3,986	3,986
<b>Total revenues</b>	<b>1,202,800</b>	<b>1,202,800</b>	<b>1,331,926</b>	<b>129,126</b>
<b>Expenditures</b>				
Personnel	555,817	555,817	535,354	20,463
Fringe benefits	210,987	210,987	185,863	25,124
General operations	127,021	134,371	131,242	3,129
Library materials	80,000	80,000	95,449	(15,449)
Continuing education	8,300	10,300	10,250	50
Electronic access	29,750	29,750	28,554	1,196
Bookmobile expense	1,800	21,800	13,499	8,301
Capital outlay	1,000	1,000	3,511	(2,511)
Debt service: interest	82,000	82,000	80,549	1,451
Debt service: principal	70,000	70,000	70,000	-
Contingency	56,108	27,208	-	27,208
<b>Total expenditures</b>	<b>1,222,783</b>	<b>1,223,233</b>	<b>1,154,271</b>	<b>68,962</b>
Net change in fund balance	(19,983)	(20,433)	177,655	198,088
Fund balance - beginning of year	761,548	761,548	1,227,461	465,913
Fund balance - end of year	\$ 741,565	\$ 741,115	\$ 1,405,116	\$ 664,001

Logan County Public Library  
 Schedule of the Library's Proportionate Share of the  
 Net Pension Liability and Schedule of Library's Contributions  
 County Employees Retirement System

**Schedule of the Library's Proportionate Share of the Net Pension Liability - CERS**

<i>As of June 30,</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
District's proportion of the net pension liability	0.017086%	0.016342%	0.016591%
District's proportionate share of the net pension liability	\$ 841,239	\$ 702,619	\$ 538,000
District's covered - employee payroll	\$ 426,554	\$ 381,514	\$ 380,617
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.22%	184.17%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

**Schedule of the Library's Contributions - CERS**

<i>For the Year Ended June 30,</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 54,923	\$ 52,978	\$ 48,643
Contributions in relation to the contractually required contribution	(54,923)	(52,978)	(48,643)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 393,715	\$ 426,554	\$ 381,514
Contributions as a percentage of covered-employee payroll	13.95%	12.42%	12.75%

**Notes to Required Supplementary Information for the Year Ended June 30, 2017**

**Changes of Benefit Terms**

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

Logan County Public Library  
Schedule of the Library's Proportionate Share of the  
Net Pension Liability and Schedule of Library's Contributions  
County Employees Retirement System

**Changes of Benefit Terms (Continued)**

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

**Changes of Assumptions**

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

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. 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.
- The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.

2016

- No changes in benefits or assumptions.



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**Independent Auditors' 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  
Logan County Public Library  
Russellville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 15, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

*Carr, Riggs & Ingram, L.L.C.*



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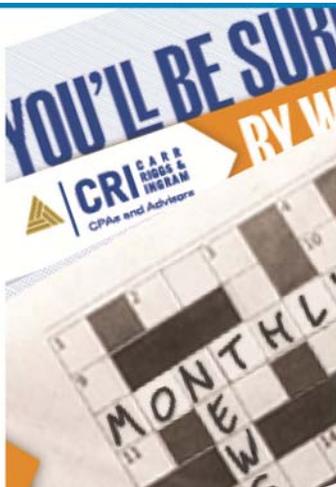
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