

# Logan County Public Library

## Financial Statements

June 30, 2018



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Logan County Public Library  
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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, the 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, 2018, 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, the major fund and the aggregate remaining fund information of the Library as of June 30, 2018, 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.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2018, the Library adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")*. Our opinion is not modified with respect to this matter.

### **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 and OPEB information on pages 4 through 9 and 42 through 45 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 11, 2019, on our consideration of the 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  
January 11, 2019



# **FINANCIAL STATEMENTS**



**Logan County Public Library District  
Russellville, Kentucky  
Management's Discussion and Analysis  
Fiscal Year July 1, 2017 - June 30, 2018**

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, 2017 – June 30, 2018. 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 \$32,729. The liability for accrued compensated absences (that which would be owed to staff if the library closed on June 30, 2018) was \$15,748. Beginning general fund balance for July 1, 2017 (beginning of current fiscal year) was \$1,405,116. The ending general fund balance was \$1,568,920, with an increase of \$163,804 for 2017-18. Total assets and liabilities in the government-wide financial statements were \$5,418,097 and \$3,931,876, respectively, which both experienced increases in the current year. Total deferred inflows and outflows of resources in the government-wide financial statements were \$116,902 and \$432,732, respectively.
- Sources of general revenues for the Library include property tax (\$1,326,118), State Aid (\$17,906), Contributions (\$3,658), Interest Income (\$3,877), and Charges for Services (\$22,221). 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 \$1,373,780.
- Total Governmental Funds expenses for the fiscal year were \$1,209,976, 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 of 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, 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, 2018 and June 30, 2017</b>		
	<b>FY18</b>	<b>FY17</b>
Cash	\$ 1,024,732	\$ 1,047,660
Investments	611,436	408,097
Accounts receivable	6,221	14,297
Capital assets, net	3,775,708	3,856,501
<b>Total assets</b>	<b>5,418,097</b>	<b>5,326,555</b>
OPEB related	94,802	-
Pension related	337,930	202,183
<b>Total deferred outflows of resources</b>	<b>432,732</b>	<b>202,183</b>
Accounts payable	4,648	7,541
Compensated absences	15,748	14,787
Accrued liabilities	32,480	22,017
Accrued interest	6,616	6,684
Long-term liabilities	2,549,404	2,619,493
Net OPEB liability	338,220	-
Net pension liability	984,760	841,239
<b>Total liabilities</b>	<b>3,931,876</b>	<b>3,511,761</b>
OPEB related	17,708	-
Pension related	99,194	3,862
<b>Total deferred inflows of resources</b>	<b>116,902</b>	<b>3,862</b>
Investment in capital assets	1,226,304	1,237,008
Restricted funds	20,593	20,593
Unrestricted funds	555,154	755,514
<b>Total net position</b>	<b>\$ 1,802,051</b>	<b>\$ 2,013,115</b>

## REVENUES

Revenues are \$1,373,780 for the year ended June 30, 2018, representing an increase of \$41,854 from \$1,331,926 for the year ended June 30, 2017.

	<b>FY2018</b>	<b>FY2017</b>
Program revenues:		
Charges for services	\$ 22,221	\$ 23,856
Operating grants and contributions	1,500	-
Capital grants and contributions	2,158	3,040
Total program revenues	25,879	26,896
General revenues:		
Property taxes	1,326,118	1,285,854
State aid	17,906	17,907
Interest income	3,877	1,269
Total general revenues	1,347,901	1,305,030
<b>Total revenues</b>	<b>\$ 1,373,780</b>	<b>\$ 1,331,926</b>

## EXPENSES

Expenses are \$1,341,051 for the year ended June 30, 2018, representing an increase of \$107,219 from \$1,233,832 for the year ended June 30, 2017.

	<b>FY2018</b>	<b>FY2017</b>
Personnel	\$ 698,108	\$ 605,201
Fringe benefits	218,476	185,863
General operations	121,411	131,565
Library materials	22,995	15,785
Continuing education	6,819	10,250
Electronic access	14,061	18,691
Bookmobile expense	1,900	1,665
Depreciation expense- unallocated	175,836	175,591
Loss on disposal of equipment	-	7,027
Interest expense	81,445	82,194
<b>Total expenses</b>	<b>\$ 1,341,051</b>	<b>\$ 1,233,832</b>

## NET POSITION

Ending net position is \$1,802,051 for the year ended June 30, 2018, representing an decrease of \$211,064 from \$2,013,115 for the year ended June 30, 2017.

	<b>FY2018</b>	<b>FY2017</b>
Beginning net position, as previously reported	\$ 2,013,115	\$ 1,915,021
Effect of adoption of GASB 75	(243,793)	-
Beginning net position	1,769,322	1,915,021
Change in net position	32,729	98,094
<b>Ending net position</b>	<b>\$ 1,802,051</b>	<b>\$ 2,013,115</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, 2018, 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 \$1,589,513. \$1,568,920 of these funds are unassigned, indicating availability of continuing Library service requirements. The remaining \$20,593 is restricted for the building project. The total ending fund balances of governmental funds show an increase of \$163,804 from the previous year.

## CAPITAL ASSETS

Disposals of books, videos, equipment, furniture and computers amounted to \$72,549. Net book value of assets at June 30, 2018 is \$3,775,708, a decrease from 2017 of \$80,793.

## LONG TERM DEBT

At year-end the Library had \$2,590,000 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 carried a \$984,760 net pension liability and added a \$338,220 liability for other postemployment benefits.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget for fiscal year 2017-2018 was \$1,245,200 for revenues and \$1,265,633 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. There was a slight increase in revenue, as property taxes collected rose by \$40,000. Due to increasing personnel expense, there was a negligible increase in salary expenditures of \$22,771. There was an anticipated increase in general operations expenditures of \$12,489 due to operational growth during the current year. 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, 2018</i>	<b>Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 1,024,732
Investments	611,436
Accounts receivable	6,221
Capital assets, net of depreciation	3,775,708
<hr/>	
Total assets	5,418,097
<hr/>	
<b>Deferred Outflows of Resources</b>	
OPEB related	94,802
Pension related	337,930
<hr/>	
Total deferred outflows of resources	432,732
<hr/>	
<b>Liabilities</b>	
Accounts payable	4,648
Compensated absences	15,748
Accrued liabilities	32,480
Accrued interest	6,616
Long-term obligations:	
Due within one year:	
Outstanding bonds	75,000
Other	745
Due beyond one year:	
Outstanding bonds	2,473,659
Net OPEB liability	338,220
Net pension liability	984,760
<hr/>	
Total liabilities	3,931,876
<hr/>	

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

Logan County Public Library  
Statement of Net Position

<i>June 30, 2018</i>	<b>Governmental Activities</b>
<b>Deferred Inflows of Resources</b>	
OPEB related	17,708
Pension related	99,194
<hr/>	
Total deferred inflows of resources	116,902
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	1,226,304
Restricted for capital outlay	20,593
Unrestricted	555,154
<hr/>	
Total net position	\$ 1,802,051
<hr/> <hr/>	

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



Logan County Public Library  
Statement of Activities

<i>Year Ended June 30, 2018</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	\$ 698,108	\$ -	\$ -	\$ -	\$ (698,108)
Fringe benefits	218,476	-	-	-	(218,476)
General operations	121,411	22,221	1,500	2,158	(95,532)
Library materials	22,995	-	-	-	(22,995)
Continuing education	6,819	-	-	-	(6,819)
Electronic access	14,061	-	-	-	(14,061)
Bookmobile expense	1,900	-	-	-	(1,900)
Depreciation expense-unallocated	175,836	-	-	-	(175,836)
Interest expense	81,445	-	-	-	(81,445)
<b>Total governmental activities</b>	<b>\$ 1,341,051</b>	<b>\$ 22,221</b>	<b>\$ 1,500</b>	<b>\$ 2,158</b>	<b>(1,315,172)</b>
		<b>General Revenues</b>			
					1,326,118
					17,906
					3,877
		<b>Total general revenues</b>			<b>1,347,901</b>
		Change in net position			32,729
		Net position - beginning of year, as previously reported			2,013,115
		Effect of adoption of GASB 75			(243,793)
		<b>Net position - beginning of year</b>			<b>1,769,322</b>
		<b>Net position - end of year</b>			<b>\$ 1,802,051</b>

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

Logan County Public Library  
Balance Sheet  
Governmental Funds

<i>June 30, 2018</i>	General Fund	Construction Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 1,004,139	\$ 20,593	\$ 1,024,732
Investments	611,436	-	611,436
Accounts receivable	6,221	-	6,221
<b>Total assets</b>	<b>\$ 1,621,796</b>	<b>\$ 20,593</b>	<b>\$ 1,642,389</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 4,648	\$ -	\$ 4,648
Compensated absences	15,748	-	15,748
Accrued liabilities	32,480	-	32,480
<b>Total liabilities</b>	<b>52,876</b>	<b>-</b>	<b>52,876</b>
<b>Fund Balances</b>			
Restricted	-	20,593	20,593
Unassigned	1,568,920	-	1,568,920
<b>Total fund balances</b>	<b>1,568,920</b>	<b>20,593</b>	<b>1,589,513</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,621,796</b>	<b>\$ 20,593</b>	<b>\$ 1,642,389</b>

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

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

<i>June 30,</i>	<b>2018</b>
Total fund balances - governmental funds	\$ 1,589,513
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<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 \$4,702,743, and the accumulated depreciation is \$927,035.</p>	3,775,708
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.</p>	238,736
<p>Deferred outflows and inflows or resources related to OPEB are applicable to future periods, therefore, are not reported in the funds statements.</p>	77,094
<p>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:</p>	
Bonds payable	(2,548,659)
Other debt	(745)
Accrued interest on outstanding bonds	(6,616)
Net pension liability	(984,760)
Net OPEB liability	(338,220)
Total net position - governmental activities	\$ 1,802,051

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

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

<i>Year Ended June 30, 2018</i>	<b>General Fund</b>	<b>Construction Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 1,326,118	\$ -	\$ 1,326,118
Intergovernmental - state	17,906	-	17,906
Intergovernmental - federal	1,500	-	1,500
Contributions	2,158	-	2,158
Fines, copies, faxes, and computer printouts	19,445	-	19,445
Interest income	3,877	-	3,877
Other income	2,776	-	2,776
<b>Total revenues</b>	<b>1,373,780</b>	<b>-</b>	<b>1,373,780</b>
<b>Expenditures</b>			
Personnel	577,669	-	577,669
Fringe benefits	218,476	-	218,476
Capital outlay	120	-	120
General operations	123,079	-	123,079
Library materials	100,730	-	100,730
Continuing education	6,819	-	6,819
Electronic access	31,369	-	31,369
Bookmobile	1,900	-	1,900
Debt service: principal	70,000	-	70,000
Debt service: interest	79,814	-	79,814
<b>Total expenditures</b>	<b>1,209,976</b>	<b>-</b>	<b>1,209,976</b>
Net change in fund balances	163,804	-	163,804
Fund balances - beginning of year	1,405,116	20,593	1,425,709
<b>Fund balances - end of year</b>	<b>\$ 1,568,920</b>	<b>\$ 20,593</b>	<b>\$ 1,589,513</b>

*The accompanying notes are an integral part of these 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>2018</b>
Total net change in fund balances - governmental funds	\$ 163,804
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 (\$175,836) exceeds capital outlay (\$95,043) in the period.	(80,793)
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 OPEB contributions as expenditures. However, in the statement of activities, the cost of OBEP benefits earned net of employee contributions is reported as OBEP expense:	
Library OPEB contributions	21,208
Cost of benefits earned net of employee contributions	(38,541)
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	65,337
Cost of benefits earned net of employee contributions	(168,443)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recongized when they are incurred.	(1,631)
Change in net position - governmental activities	\$ 32,729

*The accompanying notes are an integral part of these 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.



**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. Investments consist of non-brokered 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 deferred outflows of resources for contributions made to the Library's defined benefit pension and OPEB plans between the measurement date of the net pension and OPEB liabilities from the plan and the end of the Library's fiscal year 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 and OPEB 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 and OPEB plan investment earnings in excess of the expected amounts included in determining pension and OPEB expense. This deferred inflow of resources is attributed to pension and OPEB 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)**

***Net Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified 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 are recognized when due and payable in accordance with the benefit terms. The Library's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 8 provides further detail on the net OPEB liability.

***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.

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

***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, mortgages, notes, or other borrowings 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.

*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.

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

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

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.

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 January 11, 2019, which was the date the financial statements were made available.

***Recently Issued and Adopted 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. The Library has implemented the new requirements of this Statement for the fiscal year ended June 30, 2018. The

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

***Recently Issued and Adopted Accounting Pronouncements (Continued)***

implementation of GASB Statement No. 75 resulted in a reduction of beginning net position by \$243,793.

***Recent Accounting Pronouncements***

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 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 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.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for

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

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

reporting periods beginning after June 15, 2018. The Library is evaluating the requirements of this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Library is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Library is evaluating the requirements of this Statement.

**NOTE 2: CASH AND INVESTMENTS**

***Deposits***

At June 30, 2018, the carrying amount of the Library's deposits reflected in cash and investments was \$1,636,168 and bank balances were \$1,660,644. 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.

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

***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 \$1,660,644 was not exposed to custodial credit risk as of June 30, 2018.

***Investments***

The Library’s investments, which are stated at cost, at June 30, 2018 are as follow:

<b>June 30, 2018</b>			
<b>Investment</b>	<b>Rating</b>	<b>Maturities</b>	<b>Fair Value</b>
CD-nonbrokered	N/R	5/19/2019	\$ 208,290
CD-nonbrokered	N/R	8/27/2018	202,718
CD-nonbrokered	N/R	9/14/2018	200,428
<b>Total</b>			<b>\$ 611,436</b>

***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, 2018 was as follows:

<i>June 30, 2018</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	72,760	797	(995)	72,562
Furniture	249,664	-	-	249,664
Computers	84,455	16,511	(2,112)	98,854
General	2,086	-	-	2,086
Vehicles	20,334	-	-	20,334
Collection	603,620	77,735	(69,442)	611,913
Total depreciable cost	4,540,557	95,043	(72,549)	4,563,051
Less: accumulated depreciation	(823,748)	(175,836)	72,549	(927,035)
Total depreciable cost-net	3,716,809	(80,793)	-	3,636,016
Governmental activities, capital assets-net	\$ 3,856,501	\$ (80,793)	\$ -	\$ 3,775,708

**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 \$15,748 at June 30, 2018.

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>
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	80,000	73,794	153,794
2024-2028	430,000	333,470	763,470
2029-2033	495,000	262,131	757,131
2034-2038	585,000	173,040	758,040
2039-2043	700,000	62,998	762,998
	<u>\$ 2,590,000</u>	<u>\$ 1,214,309</u>	<u>\$ 3,804,309</u>

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

<u>June 30,</u>		
2019	\$	745
	<u>\$</u>	<u>745</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, 2018 was as follows:

<i>June 30, 2018</i>	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
<b>Bonds payable:</b>					
Bonds	\$ 2,660,000	\$ -	\$ 70,000	\$ 2,590,000	\$ 75,000
Less discount	(43,040)	-	(1,699)	(41,341)	-
<b>Total bonds</b>	<b>2,616,960</b>	<b>-</b>	<b>68,301</b>	<b>2,548,659</b>	<b>75,000</b>
<b>Other liabilities:</b>					
Other	2,533	-	(1,788)	745	745
<b>Total other liabilities</b>	<b>2,533</b>	<b>-</b>	<b>(1,788)</b>	<b>745</b>	<b>745</b>
<b>Total long-term liabilities</b>	<b>\$ 2,619,493</b>	<b>\$ -</b>	<b>\$ 66,513</b>	<b>\$ 2,549,404</b>	<b>\$ 75,745</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, 2018, 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, 2018, the Library had \$20,593 as restricted funds for capital projects in the construction fund.

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

*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) of a fund balance commitment. At June 30, 2018, 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, 2018 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, 2018 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. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

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

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

*Tier 3* - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable.

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

**Benefits Provided (Continued)**

The employer contribution rate is set annually by the KRS Board of Trustees 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.

**Contributions**

Employers participating in the CERS 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 KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees 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 KRS Board of Trustees. For the fiscal year ended June 30, 2018, participating employers contributed 14.48% of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2018 was 14.48%.

Administrative costs of KRS are financed through employer contributions and investment earnings.

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

At June 30, 2018, the Library reported a liability of \$984,760 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using standard update procedures. The Library's proportion of the net pension liability was based on the Library's share of 2017 contributions to the pension plan relative to the 2017 contributions of all participating employers, actuarially determined. At June 30, 2017, the Library's proportion was .016824%.

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)***

For the year ended June 30, 2018, the Library recognized pension expense of \$170,663. At June 30, 2018, 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	\$ 1,221	\$ 24,997
Net difference between projected and actual earnings on pension plan investments	77,992	65,811
Change of assumptions	181,715	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	11,665	8,386
District contributions subsequent to the measurement date	65,337	-
Total	\$ 337,930	\$ 99,194

For the year ended June 30, 2018, \$65,337 was 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:

<u>Year ended June 30:</u>	
2018	\$ 79,406
2019	75,018
2020	31,619
2021	(12,645)
Thereafter	-

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

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. The actuary did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of the actuary's replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (measurement date), which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2017.

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25%

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.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS plan's CAFR.

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

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Library's proportionate share of the net pension



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

**Sensitivity of the Library’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)**

liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
Library's proportionate share of the net pension liability	\$ 1,241,996	\$ 984,760	\$ 769,585

**Pension Plan Fiduciary Net Position**

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

***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 the 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: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement System’s (CERS) OPEB Plan**

**Plan Description**

The Library’s employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the Library. OPEB may be extended to beneficiaries of the plan members

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Plan Description (Continued)**

under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits Provided**

The CERS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**Contributions**

Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2018, the required contribution was 4.70% of each employee's covered payroll. Contributions from the Library to the CERS Insurance Fund for the year ended June 30, 2018, were \$21,208. The KRS 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 KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits under 26 USC Section 401(h) which are non-refundable and are forfeited.

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

At June 30, 2018, the Library reported a liability of \$338,220 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Library's proportion of the net OPEB liability was based on the Library's share of 2017 contributions to the OPEB plan relative to the 2017 contributions of all participating employers, actuarially determined. At June 30, 2018, the Library's proportion was .016824%.

For the year ended June 30, 2018, the Library recognized OPEB expense of approximately \$38,541.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

At June 30, 2018, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 939
Net difference between projected and actual investment earnings on OPEB plan investments	-	15,984
Change of assumptions	73,594	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	785
District contributions subsequent to measurement date	21,208	-
<b>Total</b>	<b>\$ 94,802</b>	<b>\$ 17,708</b>

For the year ended June 30, 2018, \$21,208 was reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30:</i>	
2018	\$ 9,615
2019	9,615
2020	9,615
2021	9,615
2022	13,611
Thereafter	3,811

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017 were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan’s fiscal year ending June 30, 2017, using generally accepted actuarial principles. The actuary did not perform the actuarial valuation as of June 30, 2016 but did replicate the prior actuary’s valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of the actuary’s replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (measurement date), which were also used to determine the total OPEB Liability and net OPEB Liability as of June 30, 2017.

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.84% for CERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Discount Rate (Continued)**

AA Index” as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the OPEB Plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return of each major asset class are summarized in the KRS plan’s CAFR.

**Sensitivity of the Library’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following presents the Library’s proportionate share of the net OPEB liability as of June 30, 2018, calculated using the discount rate of 5.84%, as well as what the Library’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<b>1% Decrease (4.84%)</b>	<b>Current Discount Rate (5.84%)</b>	<b>1% Increase (6.84%)</b>
District's proportionate share of the collective net OPEB liability	\$ 430,366	\$ 338,220	\$ 261,540

**Sensitivity of the Library’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the Library’s proportionate share of the collective net OPEB liability, as well as what the Library’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Healthcare Rate</b>	<b>1% Increase</b>
District's proportionate share of the collective net OPEB liability	\$ 259,432	\$ 338,220	\$ 440,640

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report

**NOTE 9: 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 10: 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 11: RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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, 2018*

	<b>Budgeted amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 1,206,000	\$ 1,206,000	\$ 1,326,118	\$ 120,118
Intergovernmental - state	15,000	15,000	17,906	2,906
Intergovernmental - federal	-	-	1,500	1,500
Contributions	-	-	2,158	2,158
Fines, copies and faxes	23,700	23,700	19,445	(4,255)
Interest income	500	500	3,877	3,377
Other income	-	-	2,776	2,776
<b>Total revenues</b>	<b>1,245,200</b>	<b>1,245,200</b>	<b>1,373,780</b>	<b>128,580</b>
<b>Expenditures</b>				
Personnel	578,588	578,588	577,669	919
Fringe benefits	213,462	213,462	218,476	(5,014)
General operations	146,860	146,860	123,079	23,781
Library materials	80,000	80,000	100,730	(20,730)
Continuing education	11,950	11,950	6,819	5,131
Electronic access	34,500	34,500	31,369	3,131
Bookmobile expense	1,500	1,500	1,900	(400)
Capital outlay	1,000	1,000	120	880
Debt service: interest	80,000	80,000	79,814	186
Debt service: principal	70,000	70,000	70,000	-
Contingency	47,773	47,773	-	47,773
<b>Total expenditures</b>	<b>1,265,633</b>	<b>1,265,633</b>	<b>1,209,976</b>	<b>55,657</b>
Net change in fund balance	(20,433)	(20,433)	163,804	184,237
Fund balance - beginning of year	741,548	741,548	1,405,116	663,568
Fund balance - end of year	\$ 721,115	\$ 721,115	\$ 1,568,920	\$ 847,805

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>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
District's proportion of the net pension liability	0.016824%	0.017086%	0.016342%	0.016591%
District's proportionate share of the net pension liability	\$ 984,760	\$ 841,239	\$ 702,619	\$ 538,000
District's covered - employee payroll	\$ 393,713	\$ 426,554	\$ 381,514	\$ 380,617
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	250.12%	197.22%	184.17%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

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

<i>For the Year Ended June 30,</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 65,337	\$ 54,923	\$ 52,978	\$ 48,643
Contributions in relation to the contractually required contribution	(65,337)	(54,923)	(52,978)	(48,643)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 451,222	\$ 393,713	\$ 426,554	\$ 381,514
Contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%



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

***Notes to Required Supplementary Information for the Year Ended June 30, 2018***

**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:

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

**Changes of Assumptions**

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

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

- 2016: No changes in assumptions.

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

**Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS**

<i>As of June 30,</i>	2018
District's proportion of the net OPEB liability	0.016824%
District's proportionate share of the net OPEB liability	\$ 338,220
District's covered - employee payroll	\$ 393,713
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	85.91%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2018
Contractually required contribution	\$ 21,208
Contributions in relation to the contractually required contribution	21,208
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 451,222
Contributions as a percentage of covered-employee payroll	4.70%

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

**Changes of Benefit Terms**

2018: No changes of benefit terms.

**Changes of Assumptions**

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.



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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, the 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, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 11, 2019.

**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.*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
January 11, 2019



**THOUGHT LEADERSHIP**



## Join Our Conversation



### WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



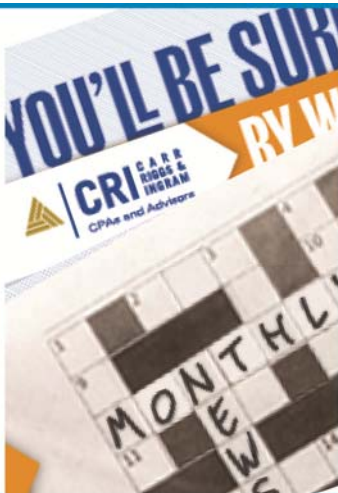
### BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



### CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



### NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning