

# Logan County Public Library

## Financial Statements

June 30, 2020



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June 30, 2020

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**REPORT**





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## **Independent Auditors' Report**

Board of Trustees  
Logan County Public Library  
Russellville, Kentucky

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

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds information of the Library as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension 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 December 23, 2020, 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, LLC*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
December 23, 2020



# **FINANCIAL STATEMENTS**

**Logan County Public Library District  
Russellville, Kentucky  
Management's Discussion and Analysis  
Fiscal Year July 1, 2019 - June 30, 2020**

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, 2019 – June 30, 2020. 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. Slightly over one percent of the budget is from State Aid.

#### **FINANCIAL HIGHLIGHTS**

- Total net position increased \$21,818. The liability for accrued compensated absences (that which would be owed to staff if the library closed on June 30, 2020) was \$39,323. Beginning general fund balance for July 1, 2019 (beginning of current fiscal year) was \$1,778,695. The ending general fund balance was \$1,991,064, with an increase of \$212,369 for 2019-20. Total assets and liabilities in the government-wide financial statements were \$5,649,402 and \$4,137,999, respectively, which both experienced increases in the current year. Total deferred inflows and outflows of resources in the government-wide financial statements were \$170,699 and \$515,629, respectively.
- Sources of general revenues for the Library include property tax (\$1,455,535), State Aid (\$17,663), Grants (\$35,000), Contributions (\$1,454), Interest Income (\$17,083), and Charges for Services (\$9,495). Charges for services include photocopying charges, facsimile transmittal services, computer printouts, sale of surplus property (used and discarded library materials), and other income. Total revenue for the fiscal year totaled \$1,536,230.
- Total Governmental Funds expenses for the fiscal year were \$1,324,011, 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

| Net Position for June 30, 2020 and June 30, 2019 |                     |                     |
|--|---------------------|---------------------|
|  |                     |                     |
|  | FY20                | FY19                |
| Cash   | \$1,194,341         | \$990,262           |
| Investments                                      | 838,505             | 821,421             |
| Accounts receivable                              | 1                   | 2,692               |
| Capital assets, net                              | 3,616,555           | 3,686,555           |
| <b>Total assets</b>                              | <b>5,649,402</b>    | <b>5,500,930</b>    |
| OPEB related                                     | 150,948             | 106,411             |
| Pension related                                  | 364,681             | 321,121             |
| <b>Total deferred outflows of resources</b>      | <b>515,629</b>      | <b>427,532</b>      |
| Accounts payable                                 | 612                 | 8,260               |
| Compensated absences                             | 39,323              | 27,029              |
| Accrued liabilities                              | 1,848               | 241                 |
| Accrued interest                                 | 6,441               | 6,541               |
| Long-term liabilities                            | 2,407,777           | 2,477,074           |
| Net OPEB liability                               | 324,550             | 321,255             |
| Net pension liability                            | 1,357,448           | 1,102,041           |
| <b>Total liabilities</b>                         | <b>4,137,999</b>    | <b>3,948,161</b>    |
| OPEB related                                     | 115,607             | 60,945              |
| Pension related                                  | 55,092              | 84,841              |
| <b>Total deferred inflows of resources</b>       | <b>170,699</b>      | <b>145,786</b>      |
| Investment in capital assets                     | 1,208,778           | 1,203,761           |
| Restricted funds                                 | 150                 | 150                 |
| Unrestricted funds                               | 647,555             | 630,604             |
| <b>Total net position</b>                        | <b>\$ 1,856,483</b> | <b>\$ 1,834,515</b> |

## REVENUES

Revenues are \$1,536,230 for the year ended June 30, 2020, representing an increase of \$51,760 from \$1,484,470 for the year ended June 30, 2019.

|                                    | <b>FY2020</b>       | <b>FY2019</b>       |
|------------------------------------|---------------------|---------------------|
| Program revenues:                  |                     |                     |
| Charges for services               | \$ 9,495            | \$ 18,569           |
| Operating grants and contributions | 35,000              | 0                   |
| Capital grants and contributions   | 1,454               | 957                 |
| Total program revenues             | 45,949              | 19,526              |
| General revenues:                  |                     |                     |
| Property taxes                     | 1,455,535           | 1,438,369           |
| State aid                          | 17,663              | 17,663              |
| Interest income                    | 17,083              | 8,912               |
| Total general revenues             | 1,490,281           | 1,464,944           |
| <b>Total revenues</b>              | <b>\$ 1,536,230</b> | <b>\$ 1,484,470</b> |

## EXPENSES

Expenses are \$1,514,412 for the year ended June 30, 2020, representing an increase of \$62,406 from \$1,452,006 for the year ended June 30, 2019.

|                                   | <b>FY2020</b>       | <b>FY2019</b>       |
|-----------------------------------|---------------------|---------------------|
| Personnel                         | 815,953             | 757,858             |
| Fringe benefits                   | 270,737             | 254,712             |
| General operations                | 116,137             | 119,262             |
| Library materials                 | 16,951              | 35,565              |
| Continuing education              | 3,753               | 7,484               |
| Electronic access                 | 30,721              | 17,015              |
| Bookmobile expense                | 753                 | 873                 |
| Depreciation expense- unallocated | 179,914             | 178,597             |
| Loss on disposal of equipment     | 0                   | 72                  |
| Interest expense                  | 79,493              | 80,568              |
| <b>Total expenses</b>             | <b>\$ 1,514,412</b> | <b>\$ 1,452,006</b> |

## NET POSITION

Ending net position is \$1,856,333 for the year ended June 30, 2020, representing an increase of \$21,818 from \$1,834,515 for the year ended June 30, 2019.

|  | FY2020              | FY2019              |
|--|---------------------|---------------------|
| Beginning net position, as previously reported | \$1,834,515         | \$1,802,051         |
| Effect of adoption of GASB 75                  | 0                   | 0                   |
| Beginning net position                         | 1,834,515           | 1,802,051           |
| Change in net position                         | 21,818              | 32,464              |
| <b>Ending net position</b>                     | <b>\$ 1,856,333</b> | <b>\$ 1,834,515</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, 2020, 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 \$1,991,064. \$1,990,914 of these funds are unassigned, indicating availability of continuing Library service requirements. The total ending fund balances of governmental funds show an increase of \$212,219 from the previous year.

## CAPITAL ASSETS

Net book value of assets at June 30, 2020 is \$3,616,555, a decrease from 2019 of \$70,000.

## LONG TERM DEBT

At year-end the Library had \$2,440,000 in general obligation bonds outstanding. This was a decrease of 3% over last year. The decrease was due to the normal repayment of bonds. Additionally, the library carried a \$1,357,448 net pension liability and a \$324,550 liability for other postemployment benefits.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget for fiscal year 2019-2020 was \$1,339,500 for revenues and \$1,339,500 for expenses. There was an increase in revenue, as taxes were expected to rise by \$70,000. Due to decreasing personnel expense, there was a decrease in salary expenditures of \$3,023 and fringe benefits increased \$16,025. 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, 2020</i>                        | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets</b>                               |                                    |
| Cash  | \$ 1,194,341                       |
| Investments                                 | 838,505                            |
| Accounts receivable                         | 1                                  |
| Capital assets, net of depreciation         | 3,616,555                          |
| <b>Total assets</b>                         | <b>5,649,402</b>                   |
| <b>Deferred Outflows of Resources</b>       |                                    |
| OPEB related                                | 150,948                            |
| Pension related                             | 364,681                            |
| <b>Total deferred outflows of resources</b> | <b>515,629</b>                     |
| <b>Liabilities</b>                          |                                    |
| Accounts payable                            | 612                                |
| Compensated absences                        | 39,323                             |
| Accrued liabilities                         | 1,848                              |
| Accrued interest                            | 6,441                              |
| Long-term obligations:                      |                                    |
| Due within one year:                        |                                    |
| Outstanding bonds                           | 75,000                             |
| Other                                       | 1,716                              |
| Due beyond one year:                        |                                    |
| Outstanding bonds                           | 2,327,057                          |
| Other                                       | 4,004                              |
| Net OPEB liability                          | 324,550                            |
| Net pension liability                       | 1,357,448                          |
| <b>Total liabilities</b>                    | <b>4,137,999</b>                   |

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

Logan County Public Library  
Statement of Net Position

| <i>June 30, 2020</i>                 | <b>Governmental<br/>Activities</b> |
|--------------------------------------|------------------------------------|
| <b>Deferred Inflows of Resources</b> |                                    |
| OPEB related                         | 115,607                            |
| Pension related                      | 55,092                             |
| Total deferred inflows of resources  | 170,699                            |
| <b>Net Position</b>                  |                                    |
| Net investment in capital assets     | 1,208,778                          |
| Unrestricted                         | 647,555                            |
| Total net position                   | \$ 1,856,333                       |

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

Logan County Public Library  
Statement of Activities

| Year Ended June 30, 2020             |                     |                         |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------------------|---------------------|-------------------------|--|--|--|
|                                      |                     | Program Revenues        |  |  |  |
|                                      | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions | Total<br>Governmental<br>Activities                        |
| <b>Governmental Activities</b>       |                     |                         |  |  |  |
| Personnel                            | \$ 815,953          | \$ -                    | \$ -                                     | \$ -                                   | \$ (815,953)   |
| Fringe benefits                      | 270,737             | -                       | -  | -                                      | (270,737)  |
| General operations                   | 116,137             | 9,495                   | 35,000                                   | 1,454                                  | (70,188)   |
| Library materials                    | 16,951              | -                       | -  | -                                      | (16,951)   |
| Continuing education                 | 3,753               | -                       | -  | -                                      | (3,753)  |
| Electronic access                    | 30,721              | -                       | -  | -                                      | (30,721)   |
| Bookmobile expense                   | 753                 | -                       | -  | -                                      | (753)  |
| Depreciation expense-unallocated     | 179,914             | -                       | -  | -                                      | (179,914)  |
| Interest expense                     | 79,493              | -                       | -  | -                                      | (79,493)   |
| <b>Total governmental activities</b> | <b>\$ 1,514,412</b> | <b>\$ 9,495</b>         | <b>\$ 35,000</b>                         | <b>\$ 1,454</b>                        | <b>(1,468,463)</b>   |
| <b>General Revenues</b>              |                     |                         |  |  |  |
| Property taxes                       |                     |                         |  |  | 1,455,535  |
| State aid                            |                     |                         |  |  | 17,663   |
| Interest income                      |                     |                         |  |  | 17,083   |
| <b>Total general revenues</b>        |                     |                         |  |  | <b>1,490,281</b>   |
| Change in net position               |                     |                         |  |  | 21,818   |
| Net position - beginning of year     |                     |                         |  |  | 1,834,515  |
| Net position - end of year           |                     |                         |  |  | <b>\$ 1,856,333</b>  |

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

Logan County Public Library  
Balance Sheet  
Governmental Funds

| <i>June 30, 2020</i>                       | <b>General Fund</b> | <b>Construction Fund</b> | <b>Total Governmental Funds</b> |
|--|---------------------|--------------------------|---------------------------------|
| <b>Assets</b>                              |                     |                          |                                 |
| Cash                                       | \$ 1,194,341        | \$ -                     | \$ 1,194,341                    |
| Investments                                | 838,505             | -                        | 838,505                         |
| Accounts receivable                        | 1                   | -                        | 1                               |
| <b>Total assets</b>                        | <b>\$ 2,032,847</b> | <b>\$ -</b>              | <b>\$ 2,032,847</b>             |
| <b>Liabilities and Fund Balances</b>       |                     |                          |                                 |
| <b>Liabilities</b>                         |                     |                          |                                 |
| Accounts payable                           | \$ 612              | \$ -                     | \$ 612                          |
| Compensated absences                       | 39,323              | -                        | 39,323                          |
| Accrued liabilities                        | 1,848               | -                        | 1,848                           |
| <b>Total liabilities</b>                   | <b>41,783</b>       | <b>-</b>                 | <b>41,783</b>                   |
| <b>Fund Balances</b>                       |                     |                          |                                 |
| Unassigned                                 | 1,991,064           | -                        | 1,991,064                       |
| <b>Total fund balances</b>                 | <b>1,991,064</b>    | <b>-</b>                 | <b>1,991,064</b>                |
| <b>Total liabilities and fund balances</b> | <b>\$ 2,032,847</b> | <b>\$ -</b>              | <b>\$ 2,032,847</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>2020</b>  |
|---|--------------|
| Total fund balances - governmental funds  | \$ 1,991,064 |
| Amounts reported for governmental activities in the statement of net position are different because:  |              |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$4,690,317 and the accumulated depreciation is \$1,073,762. | 3,616,555    |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.   | 309,589      |
| Deferred outflows and inflows or resources related to OPEB are applicable to future periods, therefore, are not reported in the funds statements.   | 35,341       |
| Long-term liabilities, including bonds payable and accrued interests, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:         |              |
| Bonds payable   | (2,402,057)  |
| Other debt  | (5,720)      |
| Accrued interest on outstanding bonds   | (6,441)      |
| Net pension liability   | (1,357,448)  |
| Net OPEB liability  | (324,550)    |
| Total net position - governmental activities  | \$ 1,856,333 |

*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, 2020</i>              | <b>General Fund</b> | <b>Construction Fund</b> | <b>Total Governmental Funds</b> |
|--|---------------------|--------------------------|---------------------------------|
| <b>Revenues</b>                              |                     |                          |                                 |
| Property taxes                               | \$ 1,455,535        | \$ -                     | \$ 1,455,535                    |
| Contributions                                | 1,454               | -                        | 1,454                           |
| Fines, copies, faxes, and computer printouts | 7,829               | -                        | 7,829                           |
| Interest income                              | 17,083              | -                        | 17,083                          |
| Other income                                 | 1,666               | -                        | 1,666                           |
| Other local grant                            | 35,000              | -                        | 35,000                          |
| Intergovernmental - state                    | 17,663              | -                        | 17,663                          |
| <b>Total revenues</b>                        | <b>1,536,230</b>    | <b>-</b>                 | <b>1,536,230</b>                |
| <b>Expenditures</b>                          |                     |                          |                                 |
| Personnel                                    | 620,435             | -                        | 620,435                         |
| Fringe benefits                              | 270,737             | -                        | 270,737                         |
| General operations                           | 153,140             | -                        | 153,140                         |
| Library materials                            | 91,578              | -                        | 91,578                          |
| Continuing education                         | 3,753               | -                        | 3,753                           |
| Electronic access                            | 30,721              | -                        | 30,721                          |
| Bookmobile                                   | 753                 | -                        | 753                             |
| Debt service: principal                      | 75,000              | -                        | 75,000                          |
| Debt service: interest                       | 77,894              | -                        | 77,894                          |
| <b>Total expenditures</b>                    | <b>1,324,011</b>    | <b>-</b>                 | <b>1,324,011</b>                |
| <b>Excess of revenues over expenditures</b>  | <b>212,219</b>      | <b>-</b>                 | <b>212,219</b>                  |
| <b>Other Financing Sources (Uses)</b>        |                     |                          |                                 |
| Operating transfers in                       | 150                 | -                        | 150                             |
| Operating transfers out                      | -                   | (150)                    | (150)                           |
| <b>Total other financing sources (uses)</b>  | <b>150</b>          | <b>(150)</b>             | <b>-</b>                        |
| <b>Net change in fund balances</b>           | <b>212,369</b>      | <b>(150)</b>             | <b>212,219</b>                  |
| <b>Fund balances - beginning of year</b>     | <b>1,778,695</b>    | <b>150</b>               | <b>1,778,845</b>                |
| <b>Fund balances - end of year</b>           | <b>\$ 1,991,064</b> | <b>\$ -</b>              | <b>\$ 1,991,064</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>2020</b> |
|--|-------------|
| Total net change in fund balances - governmental funds   | \$ 212,219  |
| 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 (\$179,914) exceeds capital outlay (\$109,914) in the period. | (70,000)    |
| 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.   | 76,716      |
| 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   | 22,674      |
| Cost of benefits earned net of employee contributions  | (36,094)    |
| 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  | 91,932      |
| Cost of benefits earned net of employee contributions  | (274,030)   |
| 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.   | (1,599)     |
| Change in net position - governmental activities   | \$ 21,818   |

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

# Logan County Public Library

## Notes to the Financial Statements

### NOTE 1: DESCRIPTION OF THE ENTITY

#### ***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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***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 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 2: 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 7.

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* is part of the capital project funds. The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

***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 2: 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 amortized 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 2: 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 projected and actual earnings on plan investments are netted and amortized over a closed five-year period. 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 8 provides further detail on the net pension liability.

**NOTE 2: 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 9 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 2: 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 set during the September board meeting. 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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Revenues resulting from exchange transactions are those 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.

Non-exchange 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 of accounting, 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 non-exchange transactions must also be available before they can be recognized.

***Subsequent Events***

The Library has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through December 23, 2020, which was the date the financial statements were made available.

***Recent Accounting Pronouncements***

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, 2019 (as modified by GASB Statement No. 95, *Postponement of the Effective*

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Dates of Certain Authoritative Guidance*). Early adoption is permitted. 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, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). 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, 2020 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). 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, 2019 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a

Logan County Public Library  
Notes to the Financial Statements

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 3: CASH AND INVESTMENTS**

***Deposits***

At June 30, 2020, the carrying amount of the Library's deposits reflected in cash and investments was \$2,032,846 and bank balances were \$2,077,067. All balances are covered by federal depository insurance (FDIC) or are secured by pledged securities held by the pledging financial institution's agent in the Library's name as collateral for bank balances in excess of the FDIC insured amount.

***Custodial Credit Risk-Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a formal deposit policy for custodial credit risk. However, the Library is required by state statute that bank deposits must be collateralized. The Library's bank balance of \$2,077,067 was not exposed to custodial credit risk as of June 30, 2020.

***Investments***

The Library's investments, which are stated at amortized cost, at June 30, 2020 are as follow:

| June 30, 2020  |        |            |                |
|----------------|--------|------------|----------------|
| Investment     | Rating | Maturities | Amortized Cost |
| CD-nonbrokered | N/R    | 5/9/2021   | \$ 216,028     |
| CD-nonbrokered | N/R    | 8/27/2020  | 211,989        |
| CD-nonbrokered | N/R    | 9/12/2020  | 205,681        |
| CD-nonbrokered | N/R    | 3/8/2021   | 204,807        |
| Total          |        |            | \$ 838,505     |

Logan County Public Library  
Notes to the Financial Statements

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

***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.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

| <i>June 30, 2020</i>                            | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Retirements/<br/>Reclassifications</b> | <b>Ending<br/>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                                       | 72,352                       | 3,306            | -   | 75,658                    |
| Furniture                                       | 249,664                      | -                | -   | 249,664                   |
| Computers                                       | 109,340                      | 31,981           | (21,834)                                  | 119,487                   |
| General   | 2,086                        | -                | -   | 2,086                     |
| Vehicles  | 20,334                       | -                | -   | 20,334                    |
| Collection                                      | 569,662                      | 74,627           | (68,531)                                  | 575,758                   |
| Total depreciable cost                          | 4,531,076                    | 109,914          | (90,365)                                  | 4,550,625                 |
| Less: accumulated depreciation                  | (984,213)                    | (179,914)        | 90,365                                    | (1,073,762)               |
| Total depreciable historical cost, net          | 3,546,863                    | (70,000)         | -   | 3,476,863                 |
| Governmental activities,<br>capital assets, net | \$ 3,686,555                 | \$ (70,000)      | \$ -                                      | \$ 3,616,555              |

Logan County Public Library  
Notes to the Financial Statements

**NOTE 5: 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 \$39,323 at June 30, 2020.

**NOTE 6: LONG-TERM OBLIGATIONS**

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

| <b>Issue Date</b> | <b>Proceeds</b> | <b>Rates</b> |
|-------------------|-----------------|--------------|
| 2012              | \$ 2,940,000    | .70%–3.50%   |

On November 20, 2012, the Library, issued \$2,940,000 General Obligation Bonds for the construction of the library facility in Russellville, Kentucky. The Series 2012 Bond has a maturity date of June 30, 2043, and bore interest at ranging from 3.25% - 3.5%.

The Library, through the General Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by Logan County Public Library to construction facility.

| <b>Year</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total Debt Service</b> |
|-------------|---------------------|---------------------|---------------------------|
| 2021        | \$ 75,000           | \$ 76,694           | \$ 151,694                |
| 2022        | 75,000              | 75,344              | 150,344                   |
| 2023        | 80,000              | 73,794              | 153,794                   |
| 2024        | 80,000              | 71,794              | 151,794                   |
| 2025        | 85,000              | 69,319              | 154,319                   |
| 2026-2030   | 455,000             | 306,726             | 761,726                   |
| 2031-2035   | 530,000             | 228,741             | 758,741                   |
| 2036-2040   | 625,000             | 131,873             | 756,873                   |
| 2041-2043   | 435,000             | 23,186              | 458,186                   |
|             | <u>\$ 2,440,000</u> | <u>\$ 1,057,471</u> | <u>\$ 3,497,471</u>       |

Logan County Public Library  
Notes to the Financial Statements

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Maturities of other debt which consists of notes from direct borrowings are as follow for the fiscal years ending:

| <u>June 30,</u> |                 |
|-----------------|-----------------|
| 2021            | \$ 1,716        |
| 2022            | 1,716           |
| 2023            | 1,716           |
| 2024            | 572             |
|                 | <u>\$ 5,720</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.

Long-term liability activity for the year ended June 30, 2020 was as follows:

| <u>June 30, 2020</u>                   | Balance<br>July 1, 2019 | Increases   | Decreases        | Balance<br>June 30, 2020 | Amounts Due<br>Within One<br>Year |
|--|-------------------------|-------------|------------------|--------------------------|-----------------------------------|
| Bonds payable:                         |                         |             |                  |                          |                                   |
| Bonds                                  | \$ 2,515,000            | \$ -        | \$ 75,000        | \$ 2,440,000             | \$ 75,000                         |
| Less discount                          | (39,642)                | -           | (1,699)          | (37,943)                 | -                                 |
| <b>Total bonds</b>                     | <b>2,475,358</b>        | <b>-</b>    | <b>73,301</b>    | <b>2,402,057</b>         | <b>75,000</b>                     |
| Other liabilities:                     |                         |             |                  |                          |                                   |
| Other-notes from<br>direct borrowings  | 7,436                   | -           | (1,716)          | 5,720                    | 1,716                             |
| <b>Total other liabilities</b>         | <b>7,436</b>            | <b>-</b>    | <b>(1,716)</b>   | <b>5,720</b>             | <b>1,716</b>                      |
| <b>Total long-term<br/>liabilities</b> | <b>\$ 2,482,794</b>     | <b>\$ -</b> | <b>\$ 75,017</b> | <b>\$ 2,407,777</b>      | <b>\$ 76,716</b>                  |

Logan County Public Library  
Notes to the Financial Statements

**NOTE 7: 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, 2020, 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, 2020, the Library had no restricted funds.

*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, 2020, 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, 2020 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, 2020 in the governmental funds balance sheet.

**NOTE 8: 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.

**General information about the CERS Pension Plan**

**Plan description**

The Library contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers 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. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**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 1:420 Employees Administrative Duties). 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

**NOTE 8: PENSION PLAN (CONTINUED)**

**Benefits Provided (*Continued*)**

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. 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, 2020, participating employers contributed a percentage of each employee's creditable compensation. Administrative cost to KRS are financed through employer contributions and investment earnings. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2020 was 19.30%.

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

At June 30, 2020, the Library reported a liability of \$1,357,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 (rolled forward to June 30, 2019 using standard update procedures). The Library's proportion of the net pension liability was based on the Library's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the Library's proportion was .019301%.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 8: 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, 2020, the Library recognized pension expense of \$274,032. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience  | \$ 34,660                                 | \$ 5,736                                 |
| Net difference between projected and actual earnings on pension plan investments                             | 26,058                                    | 47,940                                   |
| Change of assumptions  | 137,389                                   | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 74,642                                    | 1,416                                    |
| District contributions subsequent to the measurement date  | <u>91,932</u>                             | <u>-</u>                                 |
| Total  | <u>\$ 364,681</u>                         | <u>\$ 55,092</u>                         |

For the year ended June 30, 2020, \$91,932 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, 2020. 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> |            |
| 2020                       | \$ 131,647 |
| 2021                       | 62,613     |
| 2022                       | 21,844     |
| 2023                       | 1,553      |
| Thereafter                 | -          |

**NOTE 8: PENSION PLAN (CONTINUED)**

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2018. The actuarial assumptions are:

|                           |                                    |
|---------------------------|------------------------------------|
| Inflation                 | 2.30%                              |
| Payroll Growth Rate       | 2.00%                              |
| Salary Increases          | 3.30% to 10.30%, varies by service |
| Investment Rate of Return | 6.25%                              |

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

**NOTE 8: PENSION PLAN (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

| <b>Asset Class</b>             | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|--------------------------------|--------------------------|---|
| <b>Growth</b>                  | <b>62.50%</b>            |   |
| US Equity                      | 18.75%                   | 4.30%   |
| Non US Equity                  | 18.75%                   | 4.80%   |
| Private Equity                 | 10.00%                   | 6.65%   |
| Special Credit/High Yield      | 15.00%                   | 2.60%   |
| <b>Liquidity</b>               | <b>14.50%</b>            |   |
| Core Bonds                     | 13.50%                   | 1.35%   |
| Cash                           | 1.00%                    | 0.20%   |
| <b>Diversifying Strategies</b> | <b>23.00%</b>            |   |
| Real Estate                    | 5.00%                    | 4.85%   |
| Opportunistic                  | 3.00%                    | 2.97%   |
| Real Return                    | 15.00%                   | 4.10%   |
| Total                          | 100.00%                  | 3.89%   |

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

**NOTE 8: PENSION PLAN (CONTINUED)**

**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 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<br/>(5.25%)</b> | <b>Current<br/>Discount Rate<br/>(6.25%)</b> | <b>1% Increase<br/>(7.25%)</b> |
|---|--------------------------------|--|--------------------------------|
| Library's proportionate share of<br>the net pension liability | \$ 1,697,782                   | \$ 1,357,448                                 | \$ 1,073,783                   |

**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 9: 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 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).

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**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, 2020, the required contribution was 4.76% of each employee's covered payroll. Contributions from the Library to the CERS Insurance Fund for the year ended June 30, 2020, were \$22,674. 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.

**Implicit Subsidy**

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2020, the Library reported a liability of \$324,550 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Library's proportion of the net OPEB liability was based on the Library's share of 2019 contributions to the OPEB plan relative to the 2019 contributions of all participating employers, actuarially determined. At June 30, 2020, the Library's proportion was .019296%.

For the year ended June 30, 2020, the Library recognized OPEB expense of approximately \$36,094.

Logan County Public Library  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Difference between expected and actual experience   | \$ -                                      | \$ 97,924                                |
| Net difference between projected and actual investment earnings on OPEB plan investments        | 2,138                                     | 16,553                                   |
| Change of assumptions   | 96,037                                    | 642                                      |
| Changes in proportion and differences between employer contributions and proportionate share of | 30,099                                    | 488                                      |
| District contributions subsequent to measurement date   | 22,674                                    | -  |
| Total   | <u>\$ 150,948</u>                         | <u>\$ 115,607</u>                        |

For the year ended June 30, 2020, \$22,674 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:

| <u>Year ended June 30:</u> |          |
|----------------------------|----------|
| 2020                       | \$ 3,726 |
| 2021                       | 3,726    |
| 2022                       | 8,309    |
| 2023                       | (485)    |
| 2024                       | (2,333)  |
| Thereafter                 | (276)    |

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2018. The plan adopted new actuarial assumptions since June 30, 2018, which were used to determine total OPEB liability as follows:

|                                  |  |
|----------------------------------|--|
| Inflation                        | 2.30%  |
| Payroll Growth Rate              | 2.00%  |
| Salary Increase                  | 3.30% to 10.30%, varies by service   |
| Investment Rate of Return        | 6.25%  |
| Healthcare Trend Rates (Pre-65)  | Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. |
| Healthcare Trend Rates (Post-65) | Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 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 in the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

**Long-Term Expected Rate of Return**

The long-term expected rate of return was determined by using a building-block method in which best-estimated ranges of expected future real rates of return are developed for each asset class. The ranges are combined to weight the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

| Asset Class                    | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|--------------------------------|----------------------|--|
| <b>Growth</b>                  | <b>62.50%</b>        |  |
| US Equity                      | 18.75%               | 4.30%  |
| Non US Equity                  | 18.75%               | 4.80%  |
| Private Equity                 | 10.00%               | 6.65%  |
| Special Credit/High Yield      | 15.00%               | 2.60%  |
| <b>Liquidity</b>               | <b>14.50%</b>        |  |
| Core Bonds                     | 13.50%               | 1.35%  |
| Cash                           | 1.00%                | 0.20%  |
| <b>Diversifying Strategies</b> | <b>23.00%</b>        |  |
| Real Estate                    | 5.00%                | 4.85%  |
| Opportunistic                  | 3.00%                | 2.97%  |
| Real Return                    | 15.00%               | 4.10%  |
| Total                          | 100.00%              | 3.89%  |

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.68% for CERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 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 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. 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, 2020, calculated using the discount rate of 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

Logan County Public Library  
Notes to the Financial Statements

**NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

|  | 1% Decrease<br>(4.68%) | Current<br>Discount Rate<br>(5.68%) | 1% Increase<br>(6.68%) |
|--|------------------------|-------------------------------------|------------------------|
| Library's proportionate share of the collective net OPEB liability | \$ 434,764             | \$ 324,550                          | \$ 233,741             |

**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:

|  | 1% Decrease | Current<br>Healthcare<br>Rate | 1% Increase |
|--|-------------|-------------------------------|-------------|
| Library's proportionate share of the collective net OPEB liability | \$ 241,370  | \$ 324,550                    | \$ 425,416  |

**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 10: 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 11: RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; fire, personal liability, theft, vehicular accidents; errors and omissions; injuries to employees; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. To obtain insurance for workers' compensation, unemployment insurance, errors and omissions, property, and general liability coverage, the Library participates in the

Logan County Public Library  
Notes to the Financial Statements

**NOTE 11: RISK MANAGEMENT (CONTINUED)**

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.

**NOTE 12: UNCERTAINTY**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Church. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Logan County Public Library  
Budgetary Comparison Schedule for the General Fund

*Year Ended June 30, 2020*

|   | <b>Budgeted Amounts</b> |                  | <b>Actual</b>       | <b>Variances</b>    |
|---|-------------------------|------------------|---------------------|---------------------|
|   | <b>Original</b>         | <b>Final</b>     |                     |                     |
| <b>Revenues</b>                             |                         |                  |                     |                     |
| Property taxes                              | \$ 1,306,000            | \$ 1,306,000     | \$ 1,455,535        | \$ 149,535          |
| Contributions                               | -                       | -                | 1,454               | 1,454               |
| Fines, copies and faxes                     | 18,500                  | 18,500           | 7,829               | (10,671)            |
| Interest income                             | -                       | -                | 17,083              | 17,083              |
| Other income                                | -                       | -                | 1,666               | 1,666               |
| Other local grant                           | -                       | -                | 35,000              | 35,000              |
| Intergovernmental - state                   | 15,000                  | 15,000           | 17,663              | 2,663               |
| <b>Total revenues</b>                       | <b>1,339,500</b>        | <b>1,339,500</b> | <b>1,536,230</b>    | <b>196,730</b>      |
| <b>Expenditures</b>                         |                         |                  |                     |                     |
| Personnel                                   | 613,880                 | 613,880          | 620,435             | (6,555)             |
| Fringe benefits                             | 279,896                 | 279,896          | 270,737             | 9,159               |
| General operations                          | 129,840                 | 129,840          | 153,140             | (23,300)            |
| Library materials                           | 103,000                 | 103,000          | 91,578              | 11,422              |
| Continuing education                        | 7,900                   | 7,900            | 3,753               | 4,147               |
| Electronic access                           | 34,500                  | 34,500           | 30,721              | 3,779               |
| Bookmobile expense                          | 1,000                   | 1,000            | 753                 | 247                 |
| Debt service: interest                      | 78,000                  | 78,000           | 77,894              | 106                 |
| Debt service: principal                     | 75,000                  | 75,000           | 75,000              | -                   |
| Contingency                                 | 16,484                  | 16,484           | -                   | 16,484              |
| <b>Total expenditures</b>                   | <b>1,339,500</b>        | <b>1,339,500</b> | <b>1,324,011</b>    | <b>15,489</b>       |
| <b>Excess of revenues over expenditures</b> | <b>-</b>                | <b>-</b>         | <b>212,219</b>      | <b>(212,219)</b>    |
| <b>Other Financing Sources (Uses)</b>       |                         |                  |                     |                     |
| Operating transfers in                      | -                       | -                | 150                 | (150)               |
| <b>Total other financing sources</b>        | <b>-</b>                | <b>-</b>         | <b>150</b>          | <b>(150)</b>        |
| <b>Net change in fund balance</b>           | <b>-</b>                | <b>-</b>         | <b>212,369</b>      | <b>181,391</b>      |
| <b>Fund balance - beginning of year</b>     | <b>-</b>                | <b>-</b>         | <b>1,778,695</b>    | <b>1,778,695</b>    |
| <b>Fund balance - end of year</b>           | <b>\$ -</b>             | <b>\$ -</b>      | <b>\$ 1,991,064</b> | <b>\$ 1,991,064</b> |

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

| <b>Schedule of the Library's Proportionate Share of the Net Pension Liability - CERS</b>          |              |              |             |             |             |             |
|---|--------------|--------------|-------------|-------------|-------------|-------------|
| <i>As of June 30,</i>   | <i>2020</i>  | <i>2019</i>  | <i>2018</i> | <i>2017</i> | <i>2016</i> | <i>2015</i> |
| Library's proportion of the net pension liability   | 0.019301%    | 0.018095%    | 0.016824%   | 0.017086%   | 0.016342%   | 0.016591%   |
| Library's proportionate share of the net pension liability  | \$ 1,357,448 | \$ 1,102,041 | \$ 984,760  | \$ 841,239  | \$ 702,619  | \$ 538,000  |
| Library's covered - payroll   | \$ 486,862   | \$ 451,222   | \$ 393,713  | \$ 426,554  | \$ 381,514  | \$ 380,617  |
| Library's proportionate share of the net pension liability as a percentage of its covered-payroll | 278.82%      | 244.23%      | 250.12%     | 197.22%     | 184.17%     | 141.35%     |
| Plan fiduciary net position as a percentage of the total pension liability                        | 50.45%       | 53.54%       | 53.30%      | 55.50%      | 59.97%      | 66.80%      |

| <b>Schedule of the Library's Contributions - CERS</b>                |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>For the Year Ended June 30,</i>                                   | <i>2020</i> | <i>2019</i> | <i>2018</i> | <i>2017</i> | <i>2016</i> | <i>2015</i> |
| Contractually required contribution                                  | \$ 91,932   | \$ 78,969   | \$ 65,337   | \$ 54,923   | \$ 52,978   | \$ 48,643   |
| Contributions in relation to the contractually required contribution | (91,932)    | (78,969)    | (65,337)    | (54,923)    | (52,978)    | (48,643)    |
| Contribution deficiency (excess)                                     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| District's covered-payroll   | \$ 476,332  | \$ 486,862  | \$ 451,222  | \$ 393,713  | \$ 426,554  | \$ 381,514  |
| Contributions as a percentage of covered-payroll                     | 19.30%      | 16.22%      | 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

**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:

2020: No changes in benefit terms.

2019: No changes in benefit terms.

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 the June 30 listed below:

2020: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2019: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

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.

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

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

| <b>Schedule of Library's Proportionate Share of the Collective Net OPEB Liability - CERS</b>   |            |            |            |  |
|--|------------|------------|------------|--|
| <i>As of June 30,</i>  | 2020       | 2019       | 2018       |  |
| Library's proportion of the net OPEB liability   | 0.019296%  | 0.018095%  | 0.016824%  |  |
| Library's proportionate share of the net OPEB liability  | \$ 324,550 | \$ 321,255 | \$ 338,220 |  |
| Library's covered - payroll  | \$ 486,862 | \$ 451,222 | \$ 393,713 |  |
| Library's proportionate share of the net OPEB liability as a percentage of its covered-payroll | 66.66%     | 71.20%     | 85.91%     |  |
| Plan fiduciary net position as a percentage of the total OPEB liability                        | 60.44%     | 57.62%     | 52.40%     |  |
| <b>Schedule of Library Contributions - CERS</b>  |            |            |            |  |
| <i>For the years ended June 30,</i>  | 2020       | 2019       | 2018       |  |
| Contractually required contribution  | \$ 22,692  | \$ 25,609  | \$ 21,208  |  |
| Contributions in relation to the contractually required contribution                           | 22,692     | 25,609     | 21,208     |  |
| Contribution deficiency (excess)   | \$ -       | \$ -       | \$ -       |  |
| Library's covered-payroll  | \$ 476,332 | \$ 486,862 | \$ 451,222 |  |
| Contributions as a percentage of covered-payroll   | 4.76%      | 5.26%      | 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**

No changes of 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:

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

2020: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2019: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

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%.

**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 and the major funds information of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 23, 2020.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, LLC*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
December 23, 2020



## **REQUIRED COMMUNICATIONS**





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December 23, 2020

To the Board of Trustees  
Logan County Public Library  
Russellville, Kentucky

We are pleased to present the results of our audit of the June 30, 2020 financial statements of the Logan County Public Library (the "Library").

This report to the Board of Trustees and management summarizes our audit, the report issued, and various analyses and observations related to the Library's accounting and reporting. The document also contains the communications required by our professional standards.

Our GAAP audit was designed, primarily, to express opinions on the Library's June 30, 2020 financial statements. We considered the Library's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Library's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of the Library and management of the Library and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 270-726-7151 or [swest@cricpa.com](mailto:swest@cricpa.com).

Very truly yours,

*Carr, Riggs & Ingram, LLC*

Carr, Riggs & Ingram, LLC

## Required Communications

As discussed with the Board of Trustees and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Library. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Library, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* in order to express an opinion on the Library's financial statements for the year ended June 30, 2020.
- Communicate directly with Library management and Board members regarding the results of our procedures;
- Address with Library management and Board members any accounting and financial reporting issues;
- Anticipate and respond to concerns of Library management; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of the Logan County Public Library for the year ended June 30, 2020, and have issued our report thereon dated December 23, 2020. Professional standards require that we provide you with the following information related to our audit:

| MATTER TO BE COMMUNICATED  | AUDITORS' RESPONSE  |
|--|---|
| <b>Auditors' responsibility under Generally Accepted Auditing Standards</b>  | <p>We have audited the financial statements of the governmental activities and the major fund of the Library for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and <i>Government Auditing Standards</i>, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 27, 2020. Professional standards also require that we communicate to you the following information related to our audit.</p> |
| <b>Client's responsibility</b>   | <p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>  |
| <b>Planned scope and timing of the audit</b>   | <p>Our initial audit plan was not significantly altered during our fieldwork.</p>   |
| <b>Management judgments and accounting estimates</b><br><i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i> | <p>Please see the following section titled "Accounting Policies, Judgments, and Sensitive Estimates and CRI Comments on Quality."</p>   |
| <b>Potential effect on the financial statements of any significant risks and exposures</b><br><i>Major risks and exposures facing the Library and how they are disclosed.</i>  | <p>No such risks or exposures were noted.</p>   |

## Required Communications

| MATTER TO BE COMMUNICATED  | AUDITORS' RESPONSE   |
|--|--|
| <p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li><i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li><i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Library's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Library in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> <li><i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation, and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul> | <p>No changes to the significant accounting policies in Note 1 were noted during the audit. There were no transactions that lacked authoritative guidance or consensus noted during the audit.</p> |

## Required Communications

| MATTER TO BE COMMUNICATED  | AUDITORS' RESPONSE  |
|--|---|
| <p><b>Significant difficulties encountered in the audit</b><br/> <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>   | None noted.   |
| <p><b>Disagreements with management</b><br/> <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>  | None noted.   |
| <p><b>Other findings or issues</b><br/> <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>   | None noted.   |
| <p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b><br/> <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>  | None noted.   |
| <p><b>Corrected and uncorrected misstatements</b><br/> <i>All significant audit adjustments arising from the audit, whether or not recorded by the Library, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p> | Please see the following section titled "Summary of Audit Adjustments." |

## Required Communications

| MATTER TO BE COMMUNICATED   | AUDITORS' RESPONSE  |
|---|---|
| <b>Major issues discussed with management prior to retention</b><br><i>Any major accounting, auditing, or reporting issues discussed with management in connection with our initial or recurring retention.</i>   | None noted.   |
| <b>Consultations with other accountants</b><br><i>When management has consulted with other accountants about significant accounting or auditing matters.</i>  | None of which we are aware.   |
| <b>Written representations</b><br><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i>   | See "Management Representation Letter" section.   |
| <b>Internal control deficiencies</b><br><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i>  | See reports in the "Financial Statements" section.  |
| <b>Fraud and illegal acts</b><br><i>Fraud involving senior management of the Library or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i> | We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.  |
| <b>Other information in documents containing audited financial statements</b><br><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i>   | <p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p> |

## Required Communications

| MATTER TO BE COMMUNICATED  | AUDITORS' RESPONSE   |
|--|--|
| <p><b>Other Matters</b><br/> <i>Required supplementary information and supplementary information that will accompany the basic financial statements.</i></p> | <p>We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison, and select pension information, and the select OPEB information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> |

## Accounting Policies, Judgments, and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Library's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

| AREA                                     | ACCOUNTING POLICY   | CRITICAL POLICY? | JUDGMENTS & SENSITIVE ESTIMATE  | COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION                              |
|--|---|------------------|---|---|
| Capital Assets                           | The Library's capital assets are capitalized at cost and depreciated on the straight-line method.                                 | X                | Depreciation computed on straight-line method over the assets' useful life based on the Library's capitalization policy.                        | The Library's policies are in accordance with all applicable accounting guidelines. |
| Net Pension Liability and OPEB Liability | The Library follows guidance as defined in GASB Statements No. 68 and No. 75 relating to pension and OPEB reporting for employers | X                | Net pension and OPEB liability is determined by the cost-sharing plan's actuary and agreed to the audit of the net pension and OPEB allocation. | Guidelines appear properly followed.  |

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Library and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Library or passed (uncorrected).

### Recorded Adjustments

There were adjustments as a result of our audit procedures in the following funds: General Fund in the following areas: Grant revenue and expenses

| Total Assets | Total Liabilities | Fund Balance/Net Position | Revenues  | Expenditures/ Expenses |
|--------------|-------------------|---------------------------|-----------|------------------------|
| \$ 0         | \$ 0              | \$ 0                      | \$ 30,889 | \$ 30,889              |

### Passed Adjustments

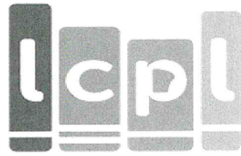
The attached schedule summarized uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

| Total Assets | Total Liabilities | Fund Balance/Net Position | Revenues | Expenditures/ Expenses |
|--------------|-------------------|---------------------------|----------|------------------------|
| \$ 0         | \$ 1,539          | \$ (1,539)                | \$ 0     | \$ 1,539               |

## QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in net position or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Library's operating environment that has been identified as playing a significant role in the Library's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.



# Logan County Public Library

December 23, 2020

Carr, Riggs & Ingram, LLC  
167 South Main Street  
Russellville, KY 42276

This representation letter is provided in connection with your audit of the financial statements of Logan County Public Library ("Library"), which comprise the respective financial position of the governmental activities and major fund as of June 30, 2020, and the respective changes in financial position for the year then ended, and the disclosures (collectively, the "financial statements") for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 23, 2020, the following representations made to you during your audit.

#### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 27, 2020 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Library and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

PO Box 357, Russellville, KY 42276  
(270) 726-6129      [www.loganlibrary.org](http://www.loganlibrary.org)

## Management Representation Letter

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Library is contingently liable, if any, have been properly recorded or disclosed.

### Information Provided

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Library from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Library or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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## Management Representation Letter

14. We have no knowledge of any fraud or suspected fraud that affects the Library and involves:
  - a. Management.
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Library's financial statements communicated by employees, former employees, regulators or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the Library's related parties and all the related party relationships and transactions, including any side agreements.

### Government-specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. The Library has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
23. We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
24. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

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## Management Representation Letter

25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
27. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
28. The Library has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The Library has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
30. The financial statements include all component units appropriately present majority equity interest in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
31. The financial statements properly classify all funds and activities, in accordance with GASB No. 34, as amended, and GASB No. 84.
32. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
33. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
34. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
35. Provisions for uncollectible receivables have been properly identified and recorded.
36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

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## Management Representation Letter

38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
39. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
41. We have appropriately disclosed the Library's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
42. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
43. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
44. In regard to the preparation of the financial statements and related notes, and GASB 68 and 75 entries performed by you, we have—
  - 1) Assumed all management responsibilities.
  - 2) Designated King Simpson, Director, who has suitable skill, knowledge, or experience to oversee the services.
  - 3) Evaluated the adequacy and results of the services performed.
  - 4) Accepted responsibility for the results of the services

  
\_\_\_\_\_  
Signed  
*Director*  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Signed  
\_\_\_\_\_  
Title

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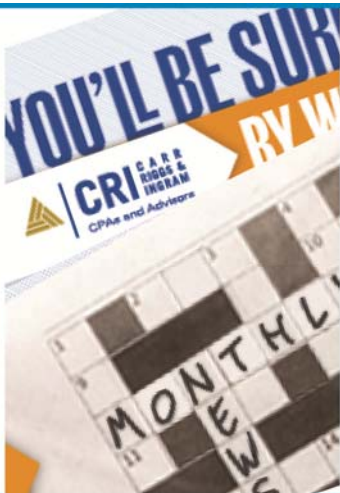
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