



Logan County Public Library

Financial Statements

June 30, 2022





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REPORT





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Independent Auditors' Report

Board of Trustees
Logan County Public Library
Russellville, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Library as of June 30, 2022, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension and OPEB information on pages 4 through 8 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
January 27, 2023



FINANCIAL STATEMENTS



Logan County Public Library District
Russellville, Kentucky
Management's Discussion and Analysis
Fiscal Year July 1, 2021 - June 30, 2022

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, 2021 – June 30, 2022. 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.

FINANCIAL HIGHLIGHTS

- Total net position increased \$355,668. The liability for accrued compensated absences (that which would be owed to staff if the library closed on June 30, 2022) was \$21,430. Beginning general fund balance for July 1, 2021 (beginning of current fiscal year) was \$2,231,841. The ending general fund balance was \$2,589,609, with an increase of \$357,768 for 2021-22. Total assets and liabilities in the government-wide financial statements were \$6,231,975 and \$3,825,119, respectively. The assets increased, while liabilities experienced a decrease in the current year. Total deferred inflows and outflows of resources in the government-wide financial statements were \$434,268 and \$397,651, respectively.
- Sources of general revenues for the Library include property tax (\$1,714,021), Contributions (\$6,533), Interest Income (\$1,998), Charges for Services (\$7,757), Intergovernmental (\$690), and Other Income (\$21,169). Charges for services include photocopying charges, facsimile transmittal services, computer printouts, and other income. Total revenue for the fiscal year totaled \$1,752,168.
- Total Governmental Funds expenses for the fiscal year were \$1,394,400, 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.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Net Position for June 30, 2022 and June 30, 2021		
	FY2022	FY2021
Cash	\$ 1,291,525	\$ 1,467,559
Investments	1,343,963	841,587
Accounts receivable	6,116	1
Capital assets, net of depreciation	3,589,371	3,644,709
Prepaid Expenses	1,000	-
Total assets	6,231,975	5,953,856
OPEB related	210,779	223,129
Pension related	186,872	279,358
Total deferred outflows of resources	397,651	502,487
Accounts payable	29,868	31,636
Compensated absences	21,430	36,431
Accrued liabilities	1,697	2,028
Accrued interest	6,216	6,341
Deferred Revenue	-	7,211
Long-term liabilities	2,257,743	2,332,760
Net OPEB liability	348,219	448,989

Net pension liability	1,159,946	1,426,528
Total liabilities	3,825,119	4,291,924
OPEB related	192,090	96,044
Pension related	242,178	53,804
Total deferred inflows of resources	434,268	149,848
Investment in capital assets	1,331,628	1,311,949
Unrestricted funds	1,038,611	702,622
Total net position	\$ 2,370,239	\$ 2,014,571

REVENUES

Revenues are \$1,752,168 for the year ended June 30, 2022, representing an increase of \$138,718 from \$1,613,450 for the year ended June 30, 2021.

	FY2022	FY2021
Charges for services	\$ 28,926	\$ 6,353
Operating grants and contributions	690	2,413
Capital grants and contributions	6,533	3,154
Property taxes	1,714,021	1,598,448
Interest income	1,998	3,082
Total revenues	1,752,168	1,613,450

EXPENSES

Expenses are \$1,396,500 for the year ended June 30, 2022, representing a decrease of \$58,712 from \$1,455,212 for the year ended June 30, 2021.

	FY2022	FY2021
Personnel	548,253	545,894
Fringe benefits	296,380	456,275
General operations	184,238	141,145
Library materials	46,775	18,715
Continuing education	8,760	2,341
Electronic access	30,808	24,854
Bookmobile expense	1,138	431
Depreciation expense- unallocated	203,230	187,138
Loss on disposal of equipment	-	126
Debt service: interest	76,918	78,293
Total expenses	\$ 1,396,500	\$ 1,455,212

NET POSITION

Ending net position is \$2,370,239 for the year ended June 30, 2022, representing an increase of \$355,668 from \$2,014,571 for the year ended June 30, 2021.

	FY2022	FY2021
Beginning net position	2,014,571	1,856,333
Change in net position	355,668	158,238
Ending net position	2,370,239	2,014,571

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, 2022, 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 \$2,589,609. The total ending fund balances of governmental funds show an increase of \$357,768 from the previous year.

CAPITAL ASSETS

Net book value of assets at June 30, 2022 is \$3,589,371, a decrease from 2021 of \$55,338.

LONG TERM DEBT

At year-end the Library had \$2,290,000 in general obligation bonds outstanding. This was a decrease of approximately 3% over last year. The decrease was due to the normal repayment of bonds. Additionally, the library carried a \$1,159,946 net pension liability and a \$348,219 liability for other post employment benefits.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget for fiscal year 2021-2022 was \$1,687,000 for revenues and \$1,687,000 for expenses. There was an increase in revenue due to additional tax receipts. Expenses on personnel, fringe benefits, and general operations increased. 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, 2022</i>	Governmental Activities
Assets	
Cash	\$ 1,291,525
Investments	1,343,963
Accounts receivable	6,116
Capital assets, net of depreciation	3,589,371
Prepaid expenses	1,000
Total assets	6,231,975
Deferred Outflows of Resources	
OPEB related	210,779
Pension related	186,872
Total deferred outflows of resources	397,651
Liabilities	
Accounts payable	29,868
Compensated absences	21,430
Accrued liabilities	1,697
Accrued interest	6,216
Long-term obligations:	
Due within one year:	
Outstanding bonds	80,000
Other	1,716
Due beyond one year:	
Outstanding bonds	2,175,455
Other	572
Net OPEB liability	348,219
Net pension liability	1,159,946
Total liabilities	3,825,119

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

Logan County Public Library
Statement of Net Position

<i>June 30, 2022</i>	Governmental Activities
<hr/>	
Deferred Inflows of Resources	
OPEB related	192,090
Pension related	242,178
<hr/>	
Total deferred inflows of resources	434,268
<hr/>	
Net Position	
Net investment in capital assets	1,331,628
Unrestricted	1,038,611
<hr/>	
Total net position	\$ 2,370,239
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The accompanying notes are an integral part of these financial statements.

**Logan County Public Library
Statement of Activities**

<i>Year Ended June 30, 2022</i>				Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
		Expenses	Charges for Services			
Governmental Activities						
Personnel	\$	548,253	\$ -	\$ -	\$ -	\$ (548,253)
Fringe benefits		296,380	-	-	-	(296,380)
General operations		184,238	28,926	690	6,533	(148,089)
Library materials		46,775	-	-	-	(46,775)
Continuing education		8,760	-	-	-	(8,760)
Electronic access		30,808	-	-	-	(30,808)
Bookmobile expense		1,138	-	-	-	(1,138)
Depreciation expense-unallocated		203,230	-	-	-	(203,230)
Interest expense		76,918	-	-	-	(76,918)
Total governmental activities	\$	1,396,500	\$ 28,926	\$ 690	\$ 6,533	(1,360,351)
General Revenues						
Property taxes						1,714,021
Interest income						1,998
Total general revenues						1,716,019
Change in net position						355,668
Net position - beginning of year						2,014,571
Net position - end of year						\$ 2,370,239

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

**Logan County Public Library
Balance Sheet
Governmental Funds**

June 30, 2022

General Fund

Assets

Cash	\$ 1,291,525
Investments	1,343,963
Accounts receivable	6,116
Prepaid expenses	1,000

Total assets	\$ 2,642,604
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Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 29,868
Compensated absences	21,430
Accrued liabilities	1,697

Total liabilities	52,995
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Fund Balances

Nonspendable	1,000
Committed	872,000
Unassigned	1,716,609

Total fund balances	2,589,609
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Total liabilities and fund balances	\$ 2,642,604
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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>	2022
Total fund balances - governmental funds	\$ 2,589,609
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 \$4,837,563 and the accumulated depreciation is \$1,248,192.	3,589,371
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	(55,306)
Deferred outflows and inflows or resources related to OPEB are applicable to future periods, therefore, are not reported in the funds statements.	18,689
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	(2,255,455)
Other debt	(2,288)
Accrued interest on outstanding bonds	(6,216)
Net pension liability	(1,159,946)
Net OPEB liability	(348,219)
Total net position - governmental activities	\$ 2,370,239

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, 2022</i>	General Fund
<hr/>	
Revenues	
Property taxes	\$ 1,714,021
Contributions	6,533
Fines, copies, faxes, and computer printouts	7,757
Interest income	1,998
Other income	21,169
Intergovernmental	690
<hr/>	
Total revenues	1,752,168
<hr/>	
Expenditures	
Personnel	526,349
Fringe benefits	296,380
General operations	177,576
Library materials	118,888
Continuing education	8,760
Capital outlay	84,157
Electronic access	30,808
Bookmobile	1,138
Debt service: principal	75,000
Debt service: interest	75,344
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Total expenditures	1,394,400
<hr/>	
Excess of revenues over expenditures	357,768
<hr/>	
Net change in fund balance	357,768
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Fund balances - beginning of year	2,231,841
<hr/>	
Fund balances - end of year	\$ 2,589,609
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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>	2022
Total net change in fund balances - governmental funds	\$ 357,768
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 (\$203,230) exceeds capital outlay (\$147,892) in the period.	(55,338)
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 OPEB benefits earned net of employee contributions is reported as OPEB expense:	
Library OPEB contributions	28,636
Cost of benefits earned net of employee contributions	(36,262)
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	104,885
Cost of benefits earned net of employee contributions	(119,163)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the Statement of Activities are recognized when they are incurred.	(1,574)
Change in net position - governmental activities	\$ 355,668

The accompanying notes are an integral part of these 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.

Blended Component Unit

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

NOTE 1: DESCRIPTION OF THE ENTITY (CONTINUED)

Blended Component Unit (Continued)

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 non-exchange 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. Non-major funds are aggregated and presented in a single column.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

Governmental fund balances are classified as non-spendable, restricted, committed, assigned, and unassigned. Information concerning the Library's fund balances can be found in Note 7.

The Library has the following fund:

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.

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 cost. Investments consist of non-participating/non-negotiable short-term certificates of deposit.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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:

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability (Continued)

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.

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 County 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

Accrued Liabilities and Long-Term Obligations

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense.

Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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.

Fund Balance

Minimum Fund Balance Policy – the minimum fund balance policy is used to bridge the funding gap between the beginning of the Library's fiscal year on July 1 and December which is when the bulk of the Library's revenues typically are collected. To bridge this funding gap, the Board of Trustees has implemented a policy that ensures that the general fund contains an operational reserve at the end of each fiscal year in an amount capable of sustaining at least six months of operating expenditures.

Stabilization Arrangement Policy – the stabilization arrangement policy is used for unforeseen emergencies, such as unusually late tax collection, replacement or major repair to systems such as roof or HVAC, or any other circumstance that would hinder normal operation of the Library. The Board of Trustees has implemented a policy to keep a minimum of \$250,000 committed balance in the general fund. This committed amount is evaluated annually to confirm that it is still adequate to deal with foreseeable emergencies.

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.

Revenues — Exchange and Non-exchange 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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Non-exchange Transactions (Continued)

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 January 27, 2023, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

Recent Issued and Adopted Accounting Pronouncements

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 June 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Issued and Adopted Accounting Pronouncements (Continued)

Guidance). The Library has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no significant impact on the Library.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Library has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the Library.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The Library is evaluating the requirements of this Statement.

NOTE 3: CASH AND INVESTMENTS

Deposits

At June 30, 2022, the carrying amount of the Library's deposits reflected in cash and investments was \$2,634,597 and bank balances were \$2,706,437, which were covered by federal depository insurance or by collateral held by the bank's agent in the Library's name.

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. As of June 30, 2022, the Library did not have any deposits exposed to custodial credit risk.

Investments

The Library's investments, which are non-participating/non-negotiable certificate of deposits (CDs), are stated at cost at June 30, 2022 as follows:

June 30, 2022			
Investment	Rating	Maturities	Amortized Cost
CD	N/R	5/9/2023	\$ 217,327
CD	N/R	8/27/2022	214,151
CD	N/R	9/9/2022	206,398
CD	N/R	3/8/2023	205,782
CD	N/R	2/10/2023	500,305
Total			\$ 1,343,963

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.

Logan County Public Library
Notes to the Financial Statements

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

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, 2022 was as follows:

<i>June 30, 2022</i>	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 139,692	\$ -	\$ -	\$ 139,692
Capital assets that are depreciated:				
Leasehold Improvements	19,253	37,711	-	56,964
Building	3,517,085	-	-	3,517,085
Equipment	89,467	9,274	-	98,741
Furniture	261,002	28,794	-	289,796
Computers	117,102	-	(370)	116,732
General	2,086	-	-	2,086
Vehicles	47,868	-	-	47,868
Collection	572,909	72,113	(76,423)	568,599
Total depreciable cost	4,626,772	147,892	(76,793)	4,697,871
Less: accumulated depreciation	(1,121,755)	(203,230)	76,793	(1,248,192)
Total depreciable historical cost, net	3,505,017	(55,338)	-	3,449,679
Governmental activities, capital assets, net	\$ 3,644,709	\$ (55,338)	\$ -	\$ 3,589,371

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 \$21,430 at June 30, 2022.

NOTE 6: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2012	\$ 2,940,000	3.25%–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.

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 District Property Corporation to construction facility.

Year	Principal	Interest	Total Debt Service
2023	\$ 80,000	\$ 73,794	\$ 153,794
2024	80,000	71,794	151,794
2025	85,000	69,319	154,319
2026	85,000	66,769	151,769
2027	90,000	64,144	154,144
2028-2032	480,000	277,625	757,625
2033-2037	565,000	192,381	757,381
2038-2042	675,000	86,982	761,982
2043	150,000	2,625	152,625
	<u>\$ 2,290,000</u>	<u>\$ 905,433</u>	<u>\$ 3,195,433</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:

<i>June 30,</i>	
2023	\$ 1,716
2024	572
	<u>\$ 2,288</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, 2022 was as follows:

<i>June 30, 2022</i>	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Bonds payable:					
Bonds	\$ 2,365,000	\$ -	\$ 75,000	\$ 2,290,000	\$ 80,000
Less discount	(36,244)	-	(1,699)	(34,545)	-
Total bonds	2,328,756	-	73,301	2,255,455	80,000
Other liabilities:					
Other-notes from direct borrowings	4,004	-	1,716	2,288	1,716
Total other liabilities	4,004	-	1,716	2,288	1,716
Total long-term liabilities	\$ 2,332,760	\$ -	\$ 75,017	\$ 2,257,743	\$ 81,716

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, 2022, the Library had \$1,000 in 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, 2022, 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, 2022, the Library committed \$622,000 for the minimum fund balance policy and \$250,000 for the stabilization arrangement policy, totaling \$872,000 as committed fund balance.

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, 2022 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 re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022 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.

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 Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420). These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a

NOTE 8: PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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. Non-hazardous members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Non-hazardous Tier 3 member accounts are also credited with an employer pay credit in the

amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Contributions

Employers participating in the CERS were required to contribute at an actuarially determined rate, per Kentucky Revised Statute Section 78.545(33). The KRS Board of Trustees establishes the employer contribution rate based on KRS Section 78.545(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. For the fiscal year ended June 30, 2022 participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2022 was 21.17%.

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

At June 30, 2022, the Library reported a liability of \$1,159,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (rolled forward to June 30, 2021 using standard update procedures). The Library's proportion of the net pension liability was based on the Library's share of 2021 contributions to the pension plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the Library's proportion was .018193%.

For the year ended June 30, 2022, the Library recognized pension expense of \$119,162. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,320	\$ 11,258
Net difference between projected and actual earnings on pension plan investments	44,998	199,600
Change of assumptions	15,568	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	8,101	31,320
District contributions subsequent to the measurement date	<u>104,885</u>	<u>-</u>
Total	<u>\$ 186,872</u>	<u>\$ 242,178</u>

For the year ended June 30, 2022, \$104,885 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, 2023. 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>	
2022	\$ (29,667)
2023	(46,779)
2024	(35,331)
2025	(48,414)

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward

NOTE 8: PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. 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, 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)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	100.00%	
Expected Real Return		5.00%
Long Term Inflation Assumption		2.30%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous 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) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

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:

NOTE 8: PENSION PLAN (CONTINUED)

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

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Library's proportionate share of the net pension liability	\$ 1,487,686	\$ 1,159,946	\$ 888,749

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. 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.

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

Benefits Provided

The KRS 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 and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The KRS 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 KRS 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, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the Library to the KRS Insurance Fund for the year ended June 30, 2022, were \$28,636. 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, 2022, the Library reported a liability of \$348,219 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Library's proportion of the net OPEB liability was based on the Library's share of 2021 contributions to the OPEB plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the Library's proportion was .018189%.

For the year ended June 30, 2022, the Library recognized OPEB expense of approximately \$46,561.

Logan County Public Library
Notes to the Financial Statements

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

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

At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,758	\$ 103,967
Net difference between projected and actual investment earnings on OPEB plan investments	17,544	72,018
Change of assumptions	92,320	324
Changes in proportion and differences between employer contributions and proportionate share of	17,521	15,781
District contributions subsequent to measurement date	28,636	-
Total	<u>\$ 210,779</u>	<u>\$ 192,090</u>

For the year ended June 30, 2022, \$28,636 was reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30:</i>	
2022	\$ 10,301
2023	2,018
2024	(931)
2025	(21,336)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determined total OPEB liability as follows:

Logan County Public Library
Notes to the Financial Statements

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

Actuarial Assumptions (Continued)

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Mortality (Pre-retirement)	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Mortality (Post-retirement; non-disabled)	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.
Mortality (Post-retirement; disabled)	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-estimated ranges of expected future real rates of return are developed for each asset class. The ranges are combined to weighting 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)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
	100.00%	
Expected Real Return		5.00%
Long Term Inflation Assumption		2.30%

Discount Rate

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. 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 real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially

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

Discount Rate (Continued)

determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed in 2018) which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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, 2022, calculated using the discount rate of 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Library's proportionate share of the collective net OPEB liability	\$ 478,102	\$ 348,219	\$ 241,629

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 Healthcare Rate	1% Increase
Library's proportionate share of the collective net OPEB liability	\$ 250,677	\$ 348,219	\$ 465,955

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

Logan County Public Library
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variances
Revenues				
Property taxes	\$ 1,437,000	\$ 1,671,000	\$ 1,714,021	\$ 43,021
Contributions	-	-	6,533	6,533
Fines, copies, faxes, and computer printouts	13,000	16,000	7,757	(8,243)
Interest income	-	-	1,998	1,998
Other income	-	-	21,169	21,169
Intergovernmental	-	-	690	690
Total revenues	1,450,000	1,687,000	1,752,168	65,168
Expenditures				
Personnel	600,000	660,000	526,349	133,651
Fringe benefits	305,000	323,000	296,380	26,620
General operations	141,515	219,815	177,576	42,239
Library materials	100,000	100,000	118,888	(18,888)
Capital Outlay	46,000	108,000	84,157	23,843
Continuing education	8,485	8,485	8,760	(275)
Electronic access	36,000	36,000	30,808	5,192
Bookmobile expense	2,000	2,000	1,138	862
Debt service: interest	76,000	76,000	75,344	656
Debt service: principal	75,000	75,000	75,000	-
Contingency	60,000	78,700	-	78,700
Total expenditures	1,450,000	1,687,000	1,394,400	292,600
Excess of revenues over expenditures	-	-	357,768	(357,768)
Net change in fund balance	-	-	357,768	(357,768)
Fund balance - beginning of year	-	-	2,231,841	2,231,841
Fund balance - end of year	\$ -	\$ -	\$ 2,589,609	\$ 2,589,609

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

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

<i>As of June 30,</i>	<i>2022</i>	<i>2021</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	0.018193%	0.018599%	0.019301%	0.018095%	0.016824%	0.017086%	0.016342%	0.016591%
Library's proportionate share of the net pension liability	\$ 1,159,946	\$ 1,426,528	\$ 1,357,448	\$ 1,102,041	\$ 984,760	\$ 841,239	\$ 702,619	\$ 538,000
Library's covered payroll	\$ 464,710	\$ 476,332	\$ 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	249.61%	299.48%	278.82%	244.23%	250.12%	197.22%	184.17%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Schedule of the Library's Contributions - CERS

<i>For the Year Ended June 30,</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 104,885	\$ 89,689	\$ 91,932	\$ 78,969	\$ 65,337	\$ 54,923	\$ 52,978	\$ 48,643
Contributions in relation to the contractually required contribution	(104,885)	(89,689)	(91,932)	(78,969)	(65,337)	(54,923)	(52,978)	(48,643)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library's covered payroll	\$ 495,442	\$ 464,710	\$ 476,332	\$ 486,862	\$ 451,222	\$ 393,713	\$ 426,554	\$ 381,514
Contributions as a percentage of covered payroll	21.17%	19.30%	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:

2021: No changes in benefit terms.

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.

2015: 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:

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

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

2019: 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.

2018: 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.

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: 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.

2015: No changes in assumptions.

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

Schedule of Library's Proportionate Share of the Collective Net OPEB Liability - CERS						
<i>As of June 30,</i>	2022	2021	2020	2019	2018	
Library's proportion of the net OPEB liability	0.018189%	0.018594%	0.019296%	0.018095%	0.016824%	
Library's proportionate share of the net OPEB liability	\$ 348,219	\$ 448,989	\$ 324,550	\$ 321,255	\$ 338,220	
Library's covered payroll	\$ 464,710	\$ 476,332	\$ 486,862	\$ 451,222	\$ 393,713	
Library's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.93%	94.26%	66.66%	71.20%	85.91%	
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%	
Schedule of Library Contributions - CERS						
<i>For the years ended June 30,</i>	2022	2021	2020	2019	2018	
Contractually required contribution	\$ 28,636	\$ 22,120	\$ 22,692	\$ 25,609	\$ 21,208	
Contributions in relation to the contractually required contribution	28,636	22,120	22,692	25,609	21,208	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Library's covered payroll	\$ 495,442	\$ 464,710	\$ 476,332	\$ 486,862	\$ 451,222	
Contributions as a percentage of covered payroll	5.78%	4.76%	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.

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

Changes of Assumptions

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

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: 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.

2018: 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.

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 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%.

Logan County Public Library Summary Schedule of Prior Audit Findings



Logan County Public Library

Logan County Public Library
Summary Schedule of Prior Audit Findings
Year end June 30, 2021

2021-001 Cash Deposits

Condition: The Library failed to implement internal controls over monitoring cash balances exceeding FDIC insurance and collateral levels. Additionally, the Library was not in compliance with Kentucky Revised Statutes (KRS) which requires cash deposits to be adequately insured or collateralized.

Recommendation: We recommend the Library review the processes and internal controls relating to monitoring cash deposit balances to ensure bank balances are adequately insured or collateralized.

Current status: The recommendation was adopted by the Library during the year. No similar findings were noted in the 2022 audit.

2021-002 General Ledger Maintenance and Year End Subsidiary Ledger Reconciliations

Condition: The Library failed to maintain the general ledger and year end subsidiary reconciliations in accordance with generally accepted accounting principles (GAAP) as material audit adjustments were required to correct the June 30, 2021 account balances in the following areas: cash, accounts payable, accrued liabilities, equity, revenues, and expenses.

Recommendation: We recommend the Library review the processes and internal controls relating to General Ledger maintenance and year end reconciliation of subsidiary ledgers in order to ensure account balances are properly reflected in the Library's financial statements.

Current status: The recommendation was not adopted. See repeat finding 2022-001 in the Schedule of Findings and Responses in the 2022 audit.



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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund information of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 27, 2023.

Report on 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report on 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*.

Logan County Public Library's Response to Findings

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

Purpose of this Report

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

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
January 27, 2023

Logan County Public Library Schedule of Findings and Responses

2022-001 General Ledger Maintenance and Year End Subsidiary Ledger Reconciliations

Criteria and Condition: The Library should maintain an accurate and complete general ledger so financial statements are properly presented. The Library's processes over maintenance of the general ledger in accordance with generally accepted accounting principles (GAAP) and year end reconciliation of subsidiary ledgers needs improvement as material audit adjustments were required to correct the June 30, 2022 account balances in the following areas: cash, accounts payable, accrued liabilities, equity, revenues, and expenses.

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements.

Effect: The Library's financial statements could contain misstated account balances.

Repeat Finding: 2021-002

Recommendation: We recommend the Library review the processes and internal controls relating to general ledger maintenance and the year end reconciliation of subsidiary ledgers in order to ensure account balances are properly reflected in the Library's GAAP financial statements. Additional training in maintaining the general ledger in accordance with GAAP accounting would improve the accuracy of account balances. In addition, processes and procedures should be improved, i.e. such as documented timely reviews of the year end subsidiary ledger reconciliations to third party support and bank reconciliations, which would strengthen the internal controls.

Views of Responsible Officials and Planned Corrective Actions: The director and bookkeeper will attend a training session to make sure GAAP principles are understood and implemented for the library's ledgers. This will include properly recording information, as well as ensuring that reviews are conducted that reinforce proper GAAP procedures.



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