

Logan County Public Library

Financial Statements

June 30, 2015



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REPORT





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Independent Auditors' Report

Board of Trustees
Logan County Public Library
Russellville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the Library adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – and amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and select pension information on pages 7-9 and 36-37 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 October 13, 2015, 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
October 13, 2015



FINANCIAL STATEMENTS

**Logan County Public Library District
Russellville, Kentucky
Management's Discussion and Analysis
Fiscal Year July 1 2014 - June 30, 2015**

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, 2014 – June 30, 2015. This information should be considered in conjunction with the Library's financial statements, notes to financial statements, and additional information contained in the audit.

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

The primary source of Library income is property and other local taxes. Less than 2% of the budget is from State Aid. Less than 1% of the budget comes from federal funds.

FINANCIAL HIGHLIGHTS

- Total net position increased \$247,601. The liability for accrued compensated absences (that which would be owed to staff if the library closed on June 30, 2015) was \$11,050. Beginning general fund balance for July 1, 2014 (beginning of current fiscal year) was \$761,548. The ending general fund balance was \$1,028,002, with an increase of \$266,454 for 2014-15. Total assets and liabilities in the government-wide financial statements were \$5,157,025 and \$3,367,288, respectively, which both experienced increases in the current year. Total deferred inflows and outflows of resources in the government-wide financial statements were \$67,372 and \$60,000, respectively, which are new accounts in the current year related to the implementation of GASB 68.
- Sources of general revenues for the Library include property tax (\$1,261,299), State Aid (\$19,677), Federal Aid (\$6,698), Gifts (\$1,878), Interest Income (\$614) and Charges for Services (\$26,267). Charges for services include late fees for overdue library materials, photocopying charges, fees for facsimile transmittal services, sale of surplus property (used and discarded library materials), and other income. Total revenue for the fiscal year totaled \$1,316,433.
- Total expenses for the fiscal year were \$1,050,754. General fund expenses were \$1,049,979 and construction fund expenses were \$775.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first of these government-wide statements is the Statement of Net Position. This is the Library-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall economic health of the Library would extend to other non-financial factors such as diversification of the taxpayer base or the condition of Library infrastructure in addition to the financial information provided in this report.

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

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

The Library's financial reporting includes the funds of the Library (primary government) and an organization, which the Library is accountable (component unit). The legally separate organization serves as 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.

FUND FINANCIAL STATEMENTS

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

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, 2015, the library had no material misstatements.

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$1,061,421. \$1,028,002 of these funds are unreserved, indicating availability of continuing Library service requirements. The remaining \$33,419 is reserved for the ongoing building project. The total ending fund balances of governmental funds show an increase of \$265,685 from the previous year.

CAPITAL ASSETS

Expenditures capitalized for the year in the Statement of Net Position amounted to \$76,163. These capitalized expenditures were for books, videos, computers and the construction in progress of the new library. Disposals of books, videos, equipment, furniture and computers amounted to \$94,762. Net book value of assets at June 30, 2015 is \$4,032,778, a decrease from 2014 of \$112,586.

LONG TERM DEBT

At year-end the Library had \$2,800,000 in general obligation bonds outstanding. This was a decrease of 2% over last year. The decrease was due to the normal repayment of bonds. Due to the implementation of GASB 68 in the current year, the library added a \$538,000 net pension liability.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget for fiscal year 2014-2015 was \$1,166,300 for revenues and \$1,161,101 for expenses. The difference in these two amounts was due to a formula error in the budget. There was a noticeable increase in revenue, as property taxes collected went up by \$145,299. Due to position changes in the library administration, there was a noticeable reduction in salary expenditures, with a decrease in salaries of \$23,761. There was a decrease in general operations expenditures of \$26,509 due to not receiving the Fuel the Mind grant in the current year. The General Fund budget complies with financial policies approved by the Board of Trustees for the maintenance of core Library services.

ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS TO RATES

The general outlook for the Library for the next year is for continued moderate growth which is due to increasing population 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, 2015</i>	Governmental Activities
Assets	
Cash	\$ 913,301
Investments	205,156
Accounts receivable	5,790
Capital assets, net of depreciation	4,032,778
<hr/>	
Total assets	5,157,025
<hr/>	
Deferred Outflows of Resources	
Pension related	67,372
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Total deferred outflows of resources	67,372
<hr/>	
Liabilities	
Accounts payable	20,760
Compensated absences	11,050
Accrued liabilities	31,016
Accrued interest	6,791
Long-term obligations:	
Due within one year:	
Outstanding bonds	70,000
Other	1,788
Due beyond one year:	
Outstanding bonds	2,683,562
Other	4,321
Net pension liability	538,000
<hr/>	
Total liabilities	3,367,288
<hr/>	

See accompanying notes to the financial statements.

**Logan County Public Library
Statement of Net Position**

<i>June 30, 2015</i>	Governmental Activities
Deferred Inflows of Resources	
Pension related	60,000
Total deferred inflows of resources	60,000
Net Position	
Net investment in capital assets	1,273,107
Restricted for capital outlay	33,419
Unrestricted	490,583
Total net position	\$ 1,797,109

See accompanying notes to the financial statements.

**Logan County Public Library
Statement of Activities**

<i>Year Ended June 30, 2015</i>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Personnel	\$ 478,998	\$ -	\$ 3,200	\$ -	\$ (475,798)
Fringe benefits	177,920	-	-	-	(177,920)
General operations	99,930	26,267	3,498	-	(70,165)
Library materials	13,991	-	-	-	(13,991)
Continuing education	5,550	-	-	-	(5,550)
Electronic access	18,666	-	-	-	(18,666)
Bookmobile expense	1,631	-	-	-	(1,631)
Depreciation expense-unallocated	185,453	-	-	-	(185,453)
Capital outlay	-	-	-	1,878	1,878
Loss on disposal of equipment	3,296	-	-	-	(3,296)
Interest expense	83,403	-	-	-	(83,403)
Total governmental activities	\$ 1,068,838	\$ 26,267	\$ 6,698	\$ 1,878	(1,033,995)

See accompanying notes to the financial statements.

**Logan County Public Library
Statement of Activities**

	Net (Expense) Revenue and Changes in Net Position
	Total Governmental Activities
General Revenues	
Property taxes	1,261,299
State aid	19,677
Interest income	620
Total general revenues	1,281,596
Change in net position	247,601
Net position - beginning of year	2,104,508
Effect of adoption of GASB 68	(555,000)
Net position - beginning of year, as restated	1,549,508
Net position - end of year	\$ 1,797,109

See accompanying notes to the financial statements.

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

<i>June 30, 2015</i>	General Fund	Construction Fund	Total Governmental Funds
Assets			
Cash	\$ 864,882	\$ 48,419	\$ 913,301
Investments	205,156	-	205,156
Accounts receivable	5,790	-	5,790
Total assets	\$ 1,075,828	\$ 48,419	\$ 1,124,247
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 5,760	\$ 15,000	\$ 20,760
Compensated absences	11,050	-	11,050
Accrued liabilities	31,016	-	31,016
Total liabilities	47,826	15,000	62,826
Fund Balance			
Restricted	-	33,419	33,419
Unassigned	1,028,002	-	1,028,002
Total fund balance	1,028,002	33,419	1,061,421
Total liabilities and fund balance	\$ 1,075,828	\$ 48,419	\$ 1,124,247

See accompanying notes to the financial statements.

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

<i>June 30,</i>	2015
Total fund balances - governmental funds	\$ 1,061,421
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 \$4,639,993, and the accumulated depreciation is \$607,215	4,032,778
Deferred outflows and inflows or resources rebated to pensions are applicable to future periods, therefore, are not reported in the funds statements.	7,372
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(2,753,562)
Other debt	(6,109)
Accrued interest on outstanding bonds	(6,791)
Net pension liability	(538,000)
Total net position - governmental activities	\$ 1,797,109

See accompanying notes to the financial statements.

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

<i>Year Ended June 30, 2015</i>	General Fund	Construction Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 1,261,299	\$ -	\$ 1,261,299
Intergovernmental - state	19,677	-	19,677
Intergovernmental - federal	6,698	-	6,698
Contributions	1,878	-	1,878
Fines, copies, faxes and computer printouts	23,396	-	23,396
Interest income	614	6	620
Other income	2,871	-	2,871
Total revenues	1,316,433	6	1,316,439
Expenditures			
Personnel	503,370	-	503,370
Fringe benefits	177,920	-	177,920
Capital outlay	2,679	760	3,439
General operations	98,264	15	98,279
Library materials	88,027	-	88,027
Continuing education	5,550	-	5,550
Electronic access	20,793	-	20,793
Bookmobile	1,631	-	1,631
Debt service: principal	70,000	-	70,000
Debt service: interest	81,745	-	81,745
Total expenditures	1,049,979	775	1,050,754
Net change in fund balance	266,454	(769)	265,685
Fund balance - beginning of year	761,548	34,188	795,736
Fund balance - end of year	\$ 1,028,002	\$ 33,419	\$ 1,061,421

See accompanying notes to the financial statements.

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

<i>Year Ended June 30,</i>	2015
Total net change in fund balances - governmental funds	\$ 265,685
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 amount by which capital outlay (\$76,163) exceeds depreciation expense (\$185,453).	(109,290)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(3,296)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	71,788
Government funds report Library pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Library pension contributions	67,372
Cost of benefits earned net of employee contributions	(43,000)
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.	(1,658)
Change in net position of governmental activities	\$ 247,601

See accompanying notes to the financial statements.

Logan County Public Library

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Logan County Public Library (the "Library") was created by petition in 1966 under the provisions of KRS 173.710 to 173.800 as a special taxing district. The mission of the Logan County Public Library is service to all people. This encompasses individuals and groups of every age, education, philosophy, occupation, economic level, ethnic origin and human condition. Fulfilling the educational, informational and recreational needs of these people is the Logan County Public Library's broad purpose. More specifically, it helps people to keep up with change in all areas, educate themselves continually, become better members of their family and community, become socially and politically aware, be more capable in their occupations, develop their creative abilities and spiritual capacities, appreciate and enjoy literature and art, contribute to the overall expanse of knowledge and stimulate their own personal social well-being.

Reporting Entity

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

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

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

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

Logan County Public Library Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

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

Logan County Public Library

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

The Library has the following funds:

Governmental Fund Types

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

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

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

Basis of Accounting

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

Budget

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

Logan County Public Library
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Investments

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

Capital Assets

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

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

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

Logan County Public Library Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes collected are recorded as revenues in the general fund. The assessment date of the property taxes is January 1 of each year. The final levy is normally approved September 1 through September 15. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in 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.

Unearned Revenue

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Logan County Public Library Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

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

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

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

Revenues — Exchange and Nonexchange Transactions

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

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

Logan County Public Library

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Nonexchange Transactions (Continued)

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

Subsequent Events

The Library has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through October 13, 2015, which was the date the financial statements were made available.

New Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 68 resulted in the reduction of beginning net position by \$555,000.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* improves financial accounting and financial reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to pension contributions made by employers and nonemployer contributing entities to defined benefit pension plans after the measurement date of the government's beginning net pension liability and prior to implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 71 resulted in the recording of deferred outflows of resources of \$67,372 from the current year pension contributions.

Logan County Public Library
Notes to the Financial Statements

NOTE 2: CASH AND INVESTMENTS

At June 30, 2015, the carrying amount of the Library's deposits (cash and investments) was \$1,118,010 and bank balances were \$1,129,906. The Library maintains its deposits with financial institutions insured by federal depository insurance (FDIC) or are secured by pledged securities held by the pledging financial institution's agent in the Library's name. The bank balances were fully insured and collateralized.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a formal deposit policy for custodial credit risk. However, the Library is required by state statute that bank deposits must be collateralized. The Library's bank balance of \$1,129,906 was not exposed to custodial credit risk as of June 30, 2015.

Investments

The Library's investments, which are stated at cost, at June 30, 2015 are as follow:

June 30, 2015			
Investment	Rating	Maturities	Fair Value
CD	N/R	05/09/16	205,156
Total			\$ 205,156

Interest Rate Risk

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

Credit Risk

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

**Logan County Public Library
Notes to the Financial Statements**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

<i>June 30, 2015</i>	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 139,692	\$ -	\$ -	\$ 139,692
Total non-depreciable cost	139,692	-	-	139,692
Capital assets that are depreciated				
Building	3,503,168	-	-	3,503,168
Equipment	58,585	-	-	58,585
Furniture	246,853	-	-	246,853
Computers	75,076	2,127	-	77,203
General	2,086	-	-	2,086
Vehicles	8,500	-	-	8,500
Collection	627,928	74,036	(98,058)	603,906
Total depreciable cost	4,522,196	76,163	(98,058)	4,500,301
Less: accumulated depreciation	(516,524)	(185,453)	94,762	(607,215)
Total depreciable cost, net	4,005,672	(109,290)	(3,296)	3,893,086
Governmental activities, capital assets-net	\$ 4,145,364	\$ (109,290)	\$ (3,296)	\$ 4,032,778

NOTE 4: COMPENSATED ABSENCES

Employees are allowed to accrue vacation hours, which are vested up to 42 hours. Accordingly, the employees can be paid for unused vacation days upon termination of employment up to 42 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 is \$11,050 at June 30, 2015.

**Logan County Public Library
Notes to the Financial Statements**

NOTE 5: LONG-TERM OBLIGATIONS

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 70,000	\$ 81,179	\$ 151,179
2017	70,000	80,549	150,549
2018	70,000	79,814	149,814
2019	75,000	78,944	153,944
2020	75,000	77,894	152,894
2021-2025	395,000	366,945	761,945
2026-2030	455,000	306,726	761,726
2031-2035	530,000	228,741	758,741
2036-2040	625,000	131,873	756,873
2041-2043	435,000	23,186	458,186
	<u>\$ 2,800,000</u>	<u>\$ 1,455,851</u>	<u>\$ 4,255,851</u>

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

<u>June 30,</u>	
2016	\$ 1,788
2017	1,788
2018	1,788
Thereafter	745
	<u>\$ 6,109</u>

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

Logan County Public Library
Notes to the Financial Statements

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2015 was as follows:

<i>June 30, 2015</i>	Balance			Balance	Amounts Due
	July 1, 2014	Increases	Decreases	June 30, 2015	Within One
					Year
Bonds Payable					
Bonds	\$ 2,870,000	\$ -	\$ 70,000	\$ 2,800,000	\$ 70,000
Less discount	(48,137)	-	(1,699)	(46,438)	-
Total bonds	2,821,863	-	68,301	2,753,562	70,000
Other Liabilities					
Other	7,897	-	1,788	6,109	1,788
Total other liabilities	7,897	-	1,788	6,109	1,788
Total long-term liabilities	\$ 2,829,760	\$ -	\$ 70,089	\$ 2,759,671	\$ 71,788

NOTE 6: FUND BALANCES

The five categories of fund balances are as follow:

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, 2015, the Library had no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the Library had \$33,419 as restricted funds for capital projects in the construction fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the Library is the Board of Trustees. The Board of Trustees must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2015, the Library had no committed fund balances.

Logan County Public Library Notes to the Financial Statements

NOTE 6: FUND BALANCES (CONTINUED)

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, 2015 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Library's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015 in the governmental funds balance sheet.

NOTE 7: EMPLOYEES' RETIREMENT PLAN

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description

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

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less

Logan County Public Library Notes to the Financial Statements

NOTE 7: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Benefits Provided (Continued)

than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2013, the COLA was not granted.

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2015, was 17.67%. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. 5% of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(b) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The

**Logan County Public Library
Notes to the Financial Statements**

NOTE 7: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Contributions (Continued)

employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

At June 30, 2015, the Library reported a liability of \$538,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's share of 2014 contributions to the pension plan relative to the 2014 contributions of all participating employers, actuarially determined. At June 30, 2014, the Library's proportion was .016591%.

For the year ended June 30, 2015, the Library recognized pension expense of \$43,000. At June 30, 2015, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected & actual earnings on pension plan investments	\$ -	\$ 60,000
District contributions subsequent to the measurement date	67,372	-
Total	\$ 67,372	\$ 60,000

\$67,372 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Logan County Public Library
Notes to the Financial Statements**

NOTE 7: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Year ended June 30:		
2016	\$	15,000
2017		15,000
2018		15,000
2019		15,000
Thereafter		-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.75% net of pension plan investment expense, including inflation
Projected salary increases	4.50%, average, including inflation
Inflation rate	3.50%
Discount rate	7.75%

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after the disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to

Logan County Public Library
Notes to the Financial Statements

NOTE 7: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	30.0%	8.45%
Non U.S. Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield U.S. Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. Projected future benefit payments for all current plan members were projected through 2116.

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

**Logan County Public Library
Notes to the Financial Statements**

NOTE 7: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library's proportionate share of the net pension liability	\$ 708,000	\$ 538,000	\$ 388,000

Pension Plan Fiduciary Net Position

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

NOTE 8: CONTINGENCIES

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

In 2012, lawsuits were filed against some Kentucky libraries contending the libraries had not followed applicable laws in establishing tax rates. The law in question is used primarily by Kentucky libraries in setting annual tax rates. Some circuit courts have favored with the plaintiffs that the libraries had improperly raised taxes over time. The libraries appealed the courts' decisions. In March 2015, the courts' decisions were reversed and the suit was ruled in favor of the libraries. The state plans to appeal the decision to the Kentucky Supreme Court.

The Kentucky Library Association has been engaged to assist in the defense of Kentucky libraries. Should the decision be up held, the ruling could have a significant impact on Kentucky libraries' operations. At this time, it is uncertain of the ultimate impact, if any, of these lawsuits on the Logan County Library's operations.

NOTE 9: INSURANCE AND RELATED ACTIVITIES

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

Logan County Public Library
Notes to the Financial Statements

NOTE 10: RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's 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.

The Library has no funds with a fund deficit balance. However, the following funds has excess current year expenditures over current year appropriated revenues:

Year Ended June 30, 2015	
Fund	Amount
Construction	\$ 769

**Logan County Public Library
Budgetary Comparison Schedule for the General Fund**

Year Ended June 30, 2015

	<u>Budgeted amounts</u>		Actual	Variances
	Original	Final		Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,116,000	\$ 1,116,000	\$ 1,261,299	\$ 145,299
Intergovernmental - state	18,000	18,000	19,677	1,677
Intergovernmental - federal	15,000	15,000	6,698	(8,302)
Contributions	-	-	1,878	1,878
Fines, copies and faxes	-	-	23,396	23,396
Interest income	-	-	614	614
Other income	17,300	17,300	2,871	(14,429)
Total revenues	1,166,300	1,166,300	1,316,433	150,133
Expenditures				
Personnel	527,131	527,131	503,370	23,761
Fringe benefits	185,861	185,861	177,920	7,941
General operations	124,773	124,773	98,264	26,509
Library materials	84,000	84,000	88,027	(4,027)
Continuing education	6,350	6,350	5,550	800
Electronic access	21,000	21,000	20,793	207
Bookmobile expense	1,200	1,200	1,631	(431)
Capital outlay	5,350	5,350	2,679	2,671
Debt service: interest	81,739	81,739	81,745	(6)
Debt service: principal	70,000	70,000	70,000	-
Contingency	53,697	53,697	-	53,697
Total expenditures	1,161,101	1,161,101	1,049,979	111,122
Net change in fund balance	5,199	5,199	266,454	261,255
Fund balance - beginning of year	761,548	761,548	761,548	-
Fund balance - end of year	\$ 766,747	\$ 766,747	\$ 1,028,002	\$ 261,255

**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

	2015
Library's proportion of the net pension liability	0.016591%
Library's proportionate share of the net pension liability	\$ 538,000
Library's covered - employee payroll	\$ 380,617
Library's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.7%
Plan fiduciary net position as a percentage of the total pension liability	66.8%

Schedule of Library Contribution - CERS

	2015
Contractually required contribution	\$ 67,372
Contributions in relation to the contractually required contribution	67,372
Contribution deficiency (excess)	\$ -
Library's covered-employee payroll	\$ 381,276
Contributions as a percentage of covered-employee payroll	17.67%

Changes of Benefit Terms

None noted.

Changes of Assumptions

None noted.



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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 each major fund of the Logan County Public Library (the "Library") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
October 13, 2015



Logan County Public Library
Schedule of Findings and Responses

None noted.



THOUGHT LEADERSHIP



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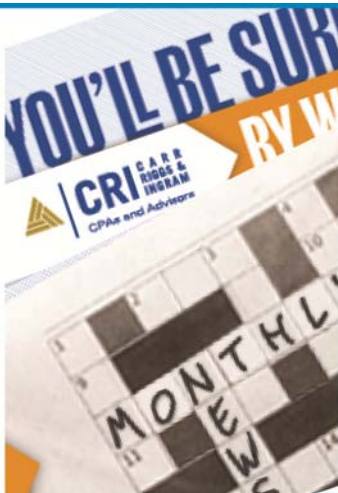
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