

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Financial Statements

September 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Athens-Limestone County Public Library
Athens, Alabama

We have audited the accompanying statement of net position and governmental fund balance sheet for the Athens-Limestone County Public Library as of September 30, 2019, and the related statements of activities and revenues, expenditures, and changes in fund balance-governmental fund for the year then ended, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements.

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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Athens-Limestone County Public Library as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 30 and the pension related information on pages 31-33 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

BMSS, LLC

Huntsville, Alabama
April 13, 2022

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Statement of Net Position

September 30, 2019

Assets

Current assets

Cash	\$ 261,298
Prepaid assets	8,489
	<u>269,787</u>

Southard estate investments	1,910,808
Equipment, net	119,959
	<u>2,030,767</u>

Deferred outflows of resources	
Employer retirement contributions	118,999
	<u>118,999</u>
	<u><u>\$ 2,419,553</u></u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 15,870
Accrued payroll liabilities	12,605
Health insurance payable	8,671
Retirement payable	6,018
	<u>43,164</u>

Noncurrent liabilities

Net pension liability	202,218
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Deferred inflows of resources

Net difference between projected and actual earnings on plan investments	96,622
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Net position

Invested in capital assets, net of related debt	119,959
Unrestricted	1,957,590
	<u>2,077,549</u>

\$ 2,419,553

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Statement of Activities

For the Year Ended September 30, 2019

<u>Function/Programs</u>	<u>Expenses</u>	<u>Fines and Charges for Services</u>	<u>Governmental Activities</u>	<u>Total</u>
Government activities				
General administration	\$ 1,246,676	\$ 10,881	\$ (1,235,795)	\$ (1,235,795)
Specific program services	15,733	-	(15,733)	(15,733)
Total government activities	<u>1,262,409</u>	<u>10,881</u>	<u>(1,251,528)</u>	<u>(1,251,528)</u>
General revenues				
Appropriations				411,334
Contributions				12,311
General sales				5,963
Investments				163,847
Grants				21,774
Memorial donation				200
Miscellaneous				482
Room rental				23,263
Donated facility				<u>520,000</u>
				<u>1,159,174</u>
Change in net position				(92,354)
Net position, beginning				<u>2,169,903</u>
Net position, ending				<u><u>\$ 2,077,549</u></u>

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY
 Government Fund Balance Sheet
 September 30, 2019

Assets

Current assets	
Cash	\$ 261,298
Southard estate investments	1,910,808
Prepaid assets	8,489
Deferred outflows of resources	<u>118,999</u>
Total Assets	<u><u>\$ 2,299,594</u></u>

Liabilities

Current liabilities	
Accounts payable	\$ 15,870
Accrued payroll liabilities	12,605
Deferred inflows of resources	96,622
Health insurance payable	8,671
Retirement payable	<u>6,018</u>
	139,786
Net pension liability	202,218
Fund balance	
Committed	1,910,808
Unassigned	<u>46,782</u>
	<u>1,957,590</u>
	<u><u>\$ 2,299,594</u></u>

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
September 30, 2019

Fund balance - governmental fund	\$ 1,957,590
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	<u>119,959</u>
Net position of governmental activities	<u><u>\$ 2,077,549</u></u>

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
For the Year Ended September 30, 2019

Revenues

Appropriations	\$ 411,334
Capital grants	21,774
Contributions	12,311
Donated facilities	520,000
Fines and copies	10,881
General sales	5,963
Investments	163,847
Room rental	23,263
Miscellaneous	482
Memorial donations	200
	1,170,055

Expenditures

General administration	1,196,684
Specific program services	15,733
	1,212,417

Net change in fund balance	(42,362)
Fund balance, beginning	1,999,952
Fund balance, ending	\$ 1,957,590

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balance - governmental fund \$ (42,362)

Amounts reported for governmental activities in the statement of activities are different because

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.

(49,992)

Change in net position of governmental activities

\$ (92,354)

See notes to financial statements.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Athens-Limestone County Public Library (the Library) is a governmental not-for-profit organization controlled by a Board of Trustees appointed by the City Council of the City of Athens, Alabama. The Library Board was initially organized in 1976 and operated as part of the Wheeler Basin Regional Library System. The Library was incorporated on September 26, 2001 and began operating independently of the Wheeler Basin Regional Library System on October 1, 2001. The Library Board of the City of Athens was “re-established” by the City Council of Athens on August 25, 2009, under Resolution Number 2009-1116. Athens-Limestone Public Library operates under the regulations of the Alabama Public Library Service. The Library offers public library services to residents of Limestone County and the City of Athens. The Library is funded by appropriations from the city and county governments, TVA, the Alabama Public Library Service (APLS), and various other sources. The Library’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for governmental agencies through its pronouncements (Statements and Interpretations). Governmental agencies are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Library are discussed below. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- (1) For the first time, the financial statements include financial statements prepared using full accrual accounting for all of the Library’s activities.
- (2) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Financial Reporting Entity

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organization for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities that should be presented with the Library. In preparing the financial statements, management evaluated subsequent events through April 13, 2022, the date the financial statements were available to be issued.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Library as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model, the focus is on either the Library as a whole or major individual funds (within the fund financial statements). The focus for these financial statements is on both the Library as a whole and the fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The general fund is the only fund used by the Library. In the government-wide statement of net position, the governmental activities are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The government-wide statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function or a business-type activity. The net costs (by function) are normally covered by general revenue, intergovernmental revenues, interest income, etc. The Library does not allocate indirect costs. This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net position resulting from the current year's activities. In the fund statements, financial transactions and accounts of the Library are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The following is a brief description of the specific funds used by the Library.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Library: general fund is the general operating fund of the Library and is used to account for all financial resources.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial, resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund's statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental fund present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The government-wide statement of net position and statement of activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. The fund financial statement of the general fund is maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available.

Budgets and Budgetary Accounting

An annual budget is adopted for the general fund. The statement of revenues, expenditures, and changes in fund balance – governmental fund presents a comparison of budgetary data to actual results. The general fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effects of unrealized investment gains and losses and the recognition of income from a donated facility, which are adjusted to the actual results for this comparison.

Pensions

The Employees' Retirement System of Alabama (ERS or Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Capital Assets

Capital outlays are recorded as expenditures of the general fund and as assets in the government-wide financial statements to the extent the Library's capitalization threshold of \$3,000 is met. The Library owns no infrastructure.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives.

Buildings	39 years
Furniture and other equipment	3-7 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Accrued Compensated Absences

Employees of the Library are entitled to paid vacations depending on the length of service and other factors. Upon retirement, employees may use accrued sick leave as membership service in determining total years of creditable service in the Alabama Retirement System. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

Fund Balance

Beginning with the fiscal year 2011, the Library implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Library itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest-level action to remove or change the constraint.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance - Continued

Assigned fund balance - amounts that are intended for a specific purpose. Intent can be expressed by the Library or by an official or body to which the Library delegates authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the Library to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Library that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The Athens-Limestone County Public Library, along with the Board of Trustees, will periodically review all restricted, committed, and assigned fund balances. The Executive Director will prepare and submit an annual report of all restricted, committed, and assigned funds for the Board of Trustees.

Estimates

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

Fair Value

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Library would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Library has the ability to access.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value - Continued

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 - CASH DEPOSITS

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Library will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Library's deposits at year end were entirely covered by federal depository insurance up to \$250,000. For the year ended September 30, 2019, the amount of uninsured checking deposits totaled \$11,298.

NOTE 3 - SOUTHARD ESTATE INVESTMENTS

In 1991, the Athens-Limestone County Public Library received a bequest of \$1,861,353 from the Estate of Shelby E. Southard. No restrictions were placed on the use of the bequest by the estate. The Board of Trustees designated that the corpus of the bequest and all investment gains and losses would be maintained to build an endowment for the Library.

The Board further designated that the interest and dividends earned on the investment of the Southard Estate funds could be used during the first five years solely to buy books and equipment to further develop the Library's services. Subsequent to the fifth year, the interest and dividends could be used for any expenses of the Library. The Southard Estate funds are maintained in three investment accounts and one checking account. The interest and dividends are retained in the investment accounts. The investment managers automatically make predetermined quarterly distributions to the Library's local Southard checking account.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 3 - SOUTHARD ESTATE INVESTMENTS - Continued

The amount of transfer/withdrawal from each investment account is determined annually by the Board. The Board of Trustees then transfers funds from the local Southard checking account to the operating account on an as-needed basis consistent with the revenue plan established by the Board in the annual budget. For the year ended September 30, 2019, investment accounts totaled \$1,910,808. The Southard Estate checking account is insured by the FDIC up to \$250,000. The investments are held in trust accounts at three financial institutions. None of the investments are collateralized by pledged securities.

NOTE 4 - DONATED FACILITY

The building currently occupied by Athens-Limestone County Public Library was constructed and is owned by the City of Athens and Limestone County. The cost of construction was paid with public funds for the stated purpose of a public library. The City leases the building to the Library at no cost (See Note 12). The fair market rental value of the current building is estimated to be \$520,000.

NOTE 5 - FAIR VALUE

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

- *Money Market Fund*: Valued at amortized cost which approximates fair value
- *Fixed Income Bonds*: Valued using quoted prices in an active market or trade prices of the actual securities or obligations.
- *Equity Securities*: Valued based on quoted market prices.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 5 - FAIR VALUE - Continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market	\$ 24,603	\$ 24,603	\$ -	\$ -
Bonds	727,206	727,206	-	-
Equity securities	1,158,999	1,158,999	-	-
	<u>\$ 1,910,808</u>	<u>\$ 1,910,808</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on September 30, 2019.

Furniture and fixtures	\$ 322,209
Computer and equipment	87,267
Telephone	7,680
Software	70,779
	<u>487,935</u>
Less accumulated depreciation	<u>(367,976)</u>
	<u>\$ 119,959</u>

Depreciation expense for the year ended September 30, 2019 totaled \$49,992.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	141
	<u>90,999</u>

The Library's membership as of the measurement date of September 30, 2018 consisted of:

Retired members or their beneficiaries currently receiving benefits	3
Vested inactive members	1
Non-vested inactive members	5
Active members	11
	<u>20</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

General Information about the Pension Plan - Continued

Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2019 (or other year-end if not September), the Library's active employee contribution rate was 5.45% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 6.26% percent of pensionable payroll.

The Library's contractually required contribution rate for the year ended September 30, 2019 was 11.32% of pensionable pay for Tier 1 employees, and 10.08% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the ERS were \$19,855 for the year ended September 30, 2019.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability

The Library's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
(a) Total pension liability as of September 30, 2017	\$ 740,946	\$ 714,258	\$ 717,694
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry age normal cost for the period October 1, 2017 - September 30, 2018	20,638	20,638	20,846
(d) Transfers among employers	-	(11,096)	(11,096)
(e) Actual benefits payments and refunds for the period October 1, 2017 - September 30, 2018	(42,274)	(42,274)	(42,274)
(f) Total pension liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.05*(b))]	<u>\$ 775,095</u>	<u>\$ 735,243</u>	<u>\$ 738,806</u>
(g) Difference between expected and actual		\$ (39,852)	
(h) Less liability transferred for immediate recognition		(11,096)	
(i) Experience (gain)/loss = (g) - (h)		<u>\$ (28,756)</u>	
(j) Difference between actual at 7.70% and actual at 7.75%: assumption change (gain)/loss			\$ 3,563

Actuarial assumptions. The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.875%
Salary increases	3.375% - 5.125%
Investment rate of return*	7.700%

* Net of pension plan investment expense

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to RP-2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to RP-2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2017 valuation was based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%

* Includes assumed rate of inflation of 2.75%.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Discount Rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability. Changes in the Library's net pension liability consisted of the following at September 30, 2018:

	Increase (Decrease) in		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 740,946	\$ 507,616	\$ 233,330
Changes for the year			
Service cost	20,638	-	20,638
Interest	55,785	-	55,785
Changes of assumptions	3,563	-	3,563
Differences between expected and actual experience	(28,756)	-	(28,756)
Contributions - employer	-	20,369	(20,369)
Contributions - employee	-	15,791	(15,791)
Net investment income	-	46,182	(46,182)
Benefit payments, including refunds of employee contributions	(42,274)	(42,274)	-
Administrative expenses	-	-	-
Transfers among employers	(11,096)	(11,096)	-
Net changes	(2,140)	28,972	(31,112)
Balances at September 30, 2018	<u>\$ 738,806</u>	<u>\$ 536,588</u>	<u>\$ 202,218</u>

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

Net Pension Liability - Continued

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Library's net pension liability calculated using the discount rate of 7.70%, 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 one-percentage point lower (6.70%) or one-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability (asset)	\$ 285,978	\$ 202,218	\$ 135,711

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the Library recognized pension expense of \$17,709. At September 30, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,095	\$ 78,914
Changes of assumptions	54,049	-
Net difference between projected and actual earnings on Plan investments	-	17,708
Employer contributions subsequent to the measurement date	19,855	-
	\$ 118,999	\$ 96,622

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 7 - PENSION PLAN - Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

	Deferred Inflows of Resources
2020	\$ (2,462)
2021	(8,106)
2022	(6,293)
2023	1,494
2024	7,805
Thereafter	10,084

NOTE 8 - 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 others; and natural disasters. The Library is covered by the insurance carried by the City of Athens for all risks of loss, with the exceptions of workers' compensation, employee health and accident insurance, and employee dishonesty. The Library maintains its own insurance policies for these exceptions. The employee dishonesty policy covers a positional bond on the positions of Director, Business Manager/Office Manager, and Chairman of the Board. As of the date of the financial statements, the Library was pursuing a claim related to an employee theft.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 9 - CONCENTRATION OF RISK/ECONOMIC DEPENDENCY

The Library is funded by appropriations from four government sources, two of which are mandated by state law (APLS and TVA). The appropriations represent the following percentages of Library operating revenues:

City of Athens	31.26%
TVA	20.66%
Limestone County	19.45%
State of Alabama	28.63%

NOTE 10 - RELATED ORGANIZATION

The Library is a governmental not-for-profit organization controlled by a Board of Trustees appointed by the City Council of the City of Athens, Alabama. The Library receives appropriations and the use of a donated facility (See Note 4) from the City of Athens and appropriations from Limestone County; however, the Board of Trustees possesses its own contracting/budgetary authority and hires/terminates the Library Director.

NOTE 11 - INVESTMENTS

At September 30, 2019, total investments consisted of the following:

Regions Morgan Keegan Trust	\$ 598,733
Compass Bank	665,814
NBC Securities, Inc.	646,261
	<u>\$ 1,910,808</u>

NOTE 12 - LIBRARY FACILITY

In 2009, the City of Athens purchased a building to be renovated for use as the new Library facility. The Limestone County Commission then decided to partner with the City and purchased a half-interest in the building. The City of Athens, Limestone County, and the Library agreed to pool resources in order to pay for renovation and construction costs.

The City of Athens and the Limestone County Commission are the actual owners of the building. The fair market rental value of the building has been estimated at \$520,000.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Notes to Financial Statements

September 30, 2019

(Continued)

NOTE 13 - CONTINGENCIES

In January 2014, the Board of Trustees entered into an agreement with BBVA Compass Bank and the Athens-Limestone Library Foundation (ALPLF) entailing that the Library would be the guarantor of a loan of up to \$1,000,000 made to the ALPLF. The Southard investment accounts are obligated under this agreement to maintain a balance of \$1,700,000 to support repayment of the loan.

NOTE 14 - SUBSEQUENT EVENTS

A novel strain of coronavirus, COVID-19, emerged in the United States in early 2020. The extent of the impact of COVID-19 on the Library's operational and financial performance will depend on certain developments including the duration and spread of any additional outbreaks, impact on its customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Library's financial condition or results operations in the near term is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Governmental Fund

For the Year Ended September 30, 2019

	Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
Revenues					
Appropriations	\$ 381,000	\$ 411,334	\$ -	\$ 411,334	\$ 30,334
Capital grants	46,490	21,774	-	21,774	(24,716)
Contributions	10,000	12,311	-	12,311	2,311
Donated facilities	-	520,000	(520,000)	-	-
Fines and copies	13,000	10,881	-	10,881	(2,119)
General sales	-	5,963	-	5,963	5,963
Investments	138,525	163,847	-	163,847	25,322
Room rental	18,000	23,263	-	23,263	5,263
Miscellaneous	2,800	482	-	482	(2,318)
Memorial donations	5,000	200	-	200	(4,800)
	<u>614,815</u>	<u>1,170,055</u>	<u>(520,000)</u>	<u>650,055</u>	<u>35,240</u>
Expenditures					
General administration	637,315	1,196,684	-	1,196,684	559,369
Specific program services	2,500	15,733	-	15,733	13,233
	<u>639,815</u>	<u>1,212,417</u>	<u>-</u>	<u>1,212,417</u>	<u>572,602</u>
Net change in fund balance	<u>(25,000)</u>	<u>(42,362)</u>	<u>(520,000)</u>	<u>(562,362)</u>	<u>(537,362)</u>
Fund balance, beginning	<u>2,199,441</u>	<u>1,999,952</u>	<u>-</u>	<u>1,497,546</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 2,174,441</u></u>	<u><u>\$ 1,957,590</u></u>	<u><u>\$ (520,000)</u></u>	<u><u>\$ 935,184</u></u>	<u><u>\$ (537,362)</u></u>

See independent auditors' report.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability

For the Years Ended September 30

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 20,638	\$ 29,649	\$ 21,066	\$ 20,831	\$ 20,956
Interest	55,785	54,800	43,391	46,088	44,564
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(28,756)	(31,998)	65,591	(60,971)	-
Changes of assumptions	3,563	-	74,100	-	-
Benefit payments, including refunds of employee contributions	(42,274)	(37,193)	(41,707)	(37,603)	(55,330)
Transfers among employers	(11,096)	-	-	-	-
Net Change in Total Pension Liability	(2,140)	15,258	162,441	(31,655)	10,190
Total Pension Liability - Beginning	740,946	725,688	563,247	594,902	584,712
Total Pension Liability - Ending (a)	\$ 738,806	\$ 740,946	\$ 725,688	\$ 563,247	\$ 594,902
Plan Fiduciary Net Position					
Contributions - employer	\$ 20,369	\$ 17,241	\$ 21,503	\$ 19,454	\$ 19,621
Contributions - member	15,791	14,535	16,220	14,061	13,604
Net investment income	46,182	57,926	42,249	4,911	45,752
Benefit payments, including refunds of employee contributions	(42,274)	(37,193)	(41,707)	(37,603)	(55,330)
Transfers among employers	(11,096)	-	-	-	-
Net Change in Plan Fiduciary Net Position	28,972	52,509	38,265	823	23,647
Plan Net Position - Beginning	507,616	455,107	416,842	416,019	392,372
Plan Net Position - Ending (b)	\$ 536,588	\$ 507,616	\$ 455,107	\$ 416,842	\$ 416,019
Net Pension Liability (a) - (b)	\$ 202,218	\$ 233,330	\$ 270,581	\$ 146,405	\$ 178,883

See independent auditors' report.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY
 Schedule of Changes in the Net Pension Liability
 For the Years Ended September 30
 (Continued)

	2018	2017	2016	2015	2014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.63%	68.51%	62.71%	74.01%	69.93%
Covered payroll	\$ 289,313	\$ 267,867	\$ 299,712	\$ 273,008	\$ 251,115
Net Pension Liability as a Percentage of Covered Payroll	69.90%	87.11%	90.28%	53.63%	71.24%

See independent auditors' report.

ATHENS-LIMESTONE COUNTY PUBLIC LIBRARY

Schedule of Employer Contributions

For the Years Ended September 30

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 18,747	\$ 20,369	\$ 18,179	\$ 19,724	\$ 19,724
Contributions in relation to the actuarially determined contributions	18,747	20,369	18,179	20,831	19,724
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ (1,107)	\$ -
Covered Payroll	\$ 299,496	\$ 289,313	\$ 267,867	\$ 299,712	\$ 273,008
Contributions as a Percentage of Covered Payroll	6.26%	7.04%	6.79%	6.58%	7.22%

See independent auditors' report.