

HENRY COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2014

With

Independent Auditor's Report

HENRY COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2014

With

Independent Auditor's Report

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Management's Discussion and Analysis	3 - 4
<u>BASIC FINANCIAL STATEMENTS:</u>	
Governmental Funds Balance Sheet and Statement of Net Position	5
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	6
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	7
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	8
Schedule of Expenditures	9
Notes to the Basic Financial Statements	10 - 15
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of Revenues, Expenditures and Changes Fund Balance - Budget and Actual - General Fund	16
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
<u>GOVERNMENTAL AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	17 - 18

DePRIE & ADKISSON, PSC
Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Henry County Public Library
Eminence, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the Henry County Public Library, as of and for the year ended June 30, 2014, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the general purpose 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 general purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 appropriated 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Henry County Public Library as of June 30, 2014, and the respective changes in financial position thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Henry County Public Library
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4, and 16 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 the 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 Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2015, on our consideration of the Henry County Public Library's internal control over financial reporting and on 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 of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Public Library's internal control over financial reporting and compliance.

DePrie & Adkisson, PSC

Certified Public Accountants

April 19, 2015

Henry County Public Library Management Analysis and Discussion FY 2013/2014

The Henry County Public Library is a special purpose government entity authorized under KRS 173.340. The Library Board of Trustees sets and approves the budget based on the annual fiscal year starting July 1st and ending June 30th. The five-member governing board operates under fixed terms as specified by law and meets on a monthly basis. In addition to having annual audits performed, the Henry County Public Library system completes an annual report for the Kentucky Department of Libraries and Archives that contains financial and other detailed statistical information, as well as an annual report for the Department of Local Government known as the Uniform Financial Information Report (UFIR).

According to the US Census, the estimated county population was 15,572 in 2014 with almost no growth predicted for the county in the next 50 years, though Shelby and Oldham counties could see large population gains. Most recent estimates claim that 19.2% of residents live in poverty and only half of all incoming Kindergartners are prepared to begin school. There are real and definite challenges to economic development and quality of life for some within the county. Despite this, things mostly seem to have recovered from the economic downturn and current statistics match those from before the crisis.

The library received \$728,024 in total revenue, with \$673,136 coming from local property taxes. The Kentucky Department of Libraries and Archives provided \$15,151 in grant aid from the Commonwealth of Kentucky. Other miscellaneous income, including property insurance reimbursements, interest income, fine and copier fee income, and donations amounted to \$39,737. The library spent \$589,753 in 2013/2014 with \$371,465 going to salaries and benefits (on par with the national average for a libraries serving similar populations), \$70,913 for library materials including books, DVDs, and periodicals, \$5,559 towards running and maintaining the Bookmobile, \$136,843 for operating expenses such as library programming, IT expenses, online database access, and building maintenance and utilities, and \$4,973 for capital outlay. As of June 30th, 2014 the Library had a cash balance of \$904,258. Some of the apparent surplus is needed to carry the costs of the Library until the bulk of its tax income arrives in late fall. The rest is earmarked for future construction projects.

The library facilities are currently below minimum Kentucky standards in regard to square footage per capita, a fact that shows itself when trying to improve services. Issues with plumbing and other maintenance problems show the building's age. The design of the current facility inhibits the provision of 21st century library services and makes incorporating new technologies difficult. We hope to build a new library to replace the current building in the next three to four years.

The library has seen the needs of the community evolve as technology plays an ever more important role in all of our lives. Half of Henry County does not have access to reliable high speed internet, so free Library wifi and computers have become all the more necessary for residents. Over 13,000 people came to the Library to use a computer and over 5,000 used the free wifi in 2013/2014. Almost 8,000 people came to a program at the Library during the year, including one-on-one technology training classes,

events for families, and workshops for adults, a 138% increase over 2012/2013. We also make regular visits to day cares, senior centers, and homebound patrons with our Bookmobile service. The Library's mission is to provide education, information, and entertainment to the residents of Henry County, which we did during over 69,000 visits in 2013/2014. We strive to be the hub of the community as it plans for the future.

If you have questions about this report or would like additional financial information, contact Jessica Powell, Director, Henry County Public Library, 172 Eminence Terrace, Eminence, KY, 502-845-5682.

HENRY COUNTY PUBLIC LIBRARY

STATEMENT OF NET POSITION AND GOVERNMENTAL
FUNDS BALANCE SHEET

June 30, 2014

ASSETS	General Fund	Total	Adjustments (Note B)	Statement of Net Position
Cash	\$ 741,040	\$ 741,040	\$ -	\$ 741,040
Investments	160,192	160,192	-	160,192
Accrued interest receivable	-	-	-	-
Property taxes receivable	4,589	4,589	-	4,589
Other receivables	-	-	-	-
Prepaid expense	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	391,697	391,697
TOTAL ASSETS	905,821	905,821	391,697	1,297,518
LIABILITIES				
Accounts payable	1,563	1,563	-	1,563
Other current liabilities	-	-	24,174	24,174
Noncurrent liabilities	-	-	-	-
Notes payable	-	-	-	-
Due within one year	-	-	-	-
Due after one year	-	-	-	-
TOTAL LIABILITIES	1,563	1,563	24,174	25,737
FUND BALANCES/NET POSITION				
Fund balances				
Unreserved, reported in general fund	904,258	904,258	(904,258)	-
Unreserved, reported in special revenue fund	-	-	-	-
TOTAL FUND BALANCES	904,258	904,258	(904,258)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 905,821	\$ 905,821		25,737
Net Position				
Invested in capital assets, net of related debit			391,697	391,697
Unrestricted			880,084	880,084
Temporarily restricted			-	-
TOTAL NET POSITION			1,271,781	1,271,781
TOTAL LIABILITIES AND NET POSITION			\$ 391,697	\$ 1,297,518

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

For The Year Ended June 30, 2014

Fund balances - total governmental funds	\$ 904,258
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 in the funds.	391,697
Some expenditures reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported in the governmental funds. Those items at year end consist of:	
Unamortized bond discount	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Notes payable	-
Compensated absences	(24,174)
	<u>\$ 1,271,781</u>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

	General Fund	Total	Adjustments (Note B)	Statement of Activities
REVENUES				
Property taxes	\$ 673,136	\$ 673,136	\$ -	\$ 673,136
Governmental grants	15,151	15,151	-	15,151
Gifts and contributions	869	869	-	869
Book rentals and fines	3,357	3,357	-	3,357
Copier and fax income	6,742	6,742	-	6,742
Investment income	3,568	3,568	-	3,568
Miscellaneous income	25,201	25,201	-	25,201
TOTAL REVENUES	728,024	728,024	-	728,024
EXPENDITURES/EXPENSES				
Personnel	371,465	371,465	1,616	373,081
Library materials	70,913	70,913	(54,008)	16,905
Bookmobile expenses	5,559	5,559	-	5,559
Operating expenses	136,843	136,843	-	136,843
Capital outlay	4,973	4,973	(4,973)	-
Depreciation	-	-	78,530	78,530
Debt service - note payable	-	-	-	-
Debt service - bond interest	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	589,753	589,753	21,165	610,918
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	138,271	138,271	(21,165)	117,106
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Proceeds from sale of surplus equipment	-	-	-	-
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCES/ NET POSITION	138,271	138,271	(21,165)	117,106
ADJUSTMENT	-	-	-	-
FUND BALANCE/NET POSITION, BEGINNING	765,987	765,987	388,688	1,154,675
FUND BALANCE/NET POSITION, ENDING	\$ 904,258	\$ 904,258	\$ 367,523	\$ 1,271,781

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ 138,271

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

Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$78,530) exceeded capital outlay (\$59,981) in the current period. (18,549)

Some expenditures reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported in the governmental funds. Those items at year end consist of:

Principal debt payment -
Compensated absences (1,616)

Current year change to Net Position \$ 118,106

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

SCHEDULE OF EXPENDITURES
For The Year Ended June 30, 2014

Personnel	
Librarian and library staff	267,778
Payroll taxes	20,770
Pension expense	42,300
Insurance	40,617
	<hr/>
Total Personnel	371,465
	<hr/>
Library materials	
Books	38,922
Periodicals	975
Audio/visual aids/software	27,840
Library supplies	3,176
	<hr/>
Total Library Materials	70,913
	<hr/>
Bookmobile Expenses	
Operations	5,559
Repairs	-
	<hr/>
Total Bookmobile Expenses	5,559
	<hr/>
Operating expenses	
Utilities	11,856
Telephone	1,171
Maintenance	34,578
Cleaning expense	7,806
Insurance	10,471
Office supplies	2,455
Computer maintenance and software	24,992
Dues	667
Travel	1,425
Professional fees	120
Payroll service	3,018
Program expense	12,527
Public relations	8,716
Staff training	2,428
Interest	-
Equipment/furniture/building	10,481
Miscellaneous expense	4,132
	<hr/>
Total Operating Expenses	136,843
	<hr/>
Capital Outlay	
Debt service	-
Other	4,973
	<hr/>
Total Capital Outlay	4,973
	<hr/>
Total Expenses	589,753
	<hr/> <hr/>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - DESCRIPTION OF ORGANIZATION

The Henry County Public Library was established under the provisions of the Commonwealth of Kentucky to provide library and related services to the citizens of Henry County, Kentucky. The Library is governed by a five-member Board of Directors who governs with fixed terms as specified by law

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Library's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis*, which mandates the new reporting model implemented by the Library. The more significant of the Library's accounting policies are described below.

- (1) **Reporting Entity** – The Library is the basic level of government that has oversight responsibility and control over all activities related to the public library in Henry County, Kentucky. The Library receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Library board members have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.
- (2) **Government-Wide and Fund Financial Statements** – The financial statement presentation for the Library includes separate columns reporting a statement of net assets and a statement of activities. These statements present a government-wide presentation of all activities of the Library.
- (3) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Both long-term and current assets and liabilities are included in the statement of net assets.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Only current assets and current liabilities generally are included on the balance sheet. Property tax revenues and revenues from the Commonwealth of Kentucky are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

HENRY COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (4) **Fund Accounting** – The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The Library reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the Library except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the laws of the Kentucky and the bylaws of the Library.

Endowment Fund – The Library uses the Endowment Fund to account for resources to be used for all genealogical acquisitions.

Fund Balances

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Library's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Non-spendable – resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the Library imposed on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned – resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

HENRY COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (5) **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. 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 of Trustees. All appropriations lapse at year end.
- (6) **Cash and Cash Equivalents** – For the purpose of these financial statements, cash equivalents include time deposits, certificate of deposit, and all highly liquid debt instruments with original maturities of three months or less.
- (7) **Net Position** – Net position presents the difference between assets and liabilities in the statement of net position. Net Position invested in capital assets is reduced by the outstanding balances of any borrowing, if any, used for the acquisition, construction or improvement of those assets. Net position is reported as restricted if and when there are legal limitations imposed on their use by Library legislation or external restrictions by creditors, grantors, laws or regulations of other governments.
- (8) **Capital Assets** – Land, buildings, collection, and other capital assets with useful lives of more than one year resulting from expenditures in the governmental funds are recorded at cost (or estimated historical cost) net of accumulated depreciation in the government-wide statement of net assets but are reported as expenditures in governmental fund financial statements. The Library maintains a capitalization threshold of \$500. 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 does not possess any infrastructure. The Library depreciates capital assets using the straight-line method of depreciation over the estimated useful life of the asset.
- (9) **Allowance for Uncollectible Accounts** – At June 30, 2014, management deems all accounts receivable collectible. Therefore, no allowance for uncollectible accounts is included in the financial statements.
- (10) **Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.
- (11) **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HENRY COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CASH AND INVESTMENTS

At June 30, 2014, the carrying amount of the Library's deposits (cash and cash equivalents) was \$901,232. Of the bank balance, \$455,103 is covered by federal depository insurance (FDIC) and the remaining is secured by pledged securities held by the pledging financial institution's agent in the Library's name as collateral for bank balances in excess of the FDIC insured amount. Cash deposited in bank accounts that is restricted for specific expenditures as specified by grant or other funding agreements is reported as restricted cash. The Library's deposits consisted of demand deposits and certificates of deposit.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 82,358	\$ -	\$ -	\$ 82,358
Buildings	262,383	-	-	262,383
Vehicles	50,386	-	-	50,386
Collection	394,580	62,491	(45,207)	411,864
Equipment and Furniture	<u>170,881</u>	<u>4,973</u>	<u>(10,076)</u>	<u>165,778</u>
Total Cost	960,588	67,464	(55,283)	972,769
Less:				
Accumulated Depreciation	<u>(557,825)</u>	<u>(78,530)</u>	<u>55,283</u>	<u>(581,072)</u>
Net Book Value	<u>\$ 402,763</u>	<u>\$ (11,066)</u>	<u>\$ -</u>	<u>\$ 391,697</u>

NOTE E - LIABILITY FOR COMPENSATED ABSENCES

Employees are allowed to accrue sick days. However, sick leave does not vest under the Library's policies and accordingly, employees can only utilize sick leave when sick. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Employees are also allowed to accrue vacations hours, which are vested. Accordingly, the employee can be paid for unused vacation days upon termination.

A liability for accumulated vacation hours is accrued when incurred in the government-wide financial statements. The amount accrued in the government-wide financial statements is \$24,174 at June 30, 2014.

HENRY COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE F – PROPERTY TAXES

The Library's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, personal and motor vehicle property located in Henry County. Property taxes are collected by the Henry County Sheriff, the Henry County Clerk, and the Commonwealth of Kentucky and remitted to the Library. Taxes are due on November 1 and become delinquent by January 1 following the October 1 levy date.

NOTE G - EMPLOYEE BENEFITS

The Library participates in a statewide, cost-sharing, multiple-employer, public employers' defined benefit pension plan on behalf of Library employees. The plan, created under Kentucky Revised Statute (KRS) 78.520, provides for retirement, disability, and death benefits to plan members. Under the provision of KRS 61.565, the plan is administered by the Board of Trustees of Kentucky Retirement Systems and funded by contributions from participants and employers and by investment earnings.

Plan Descriptions, Contribution Information, and Funding Policies

Kentucky Retirement Systems County Employees' Retirement System Non-Hazardous Employees Pension Plan (CERS)

All regular full-time employees in a non-hazardous position of duty are eligible to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Non-hazardous duty employees were required to contribute 5% of their annual creditable compensation, which is withheld by the Library. The Library was required to contribute at an actuarially determined rate of 18.89% of participating non-hazardous duty employee's annual creditable compensation. Normal contributions and past service contribution rates are determined in accordance with KRS 61.565(3) on the basis of an annual valuation.

The actual percentage contributed by the Library for the current and previous two years was 18.96%, 19.55% and 18.89% for the years ending June 30, 2012, 2013 and 2014, respectively.

Trend Information

Contributions required by state statute for the year ended June 30, 2014 were 100% contributed. The contributions included employer contributions of \$182,838. The Library's total payroll for all employees during the year was \$267,778.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the CERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among CERS and employers. The CERS does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at June 30, 2013, for the CERS as a whole, determined through an actuarial valuation performed as of that date, was \$9,378,876,114. The CERS's net assets available for benefits at that date (valued at market) were \$5,637,094,483.

HENRY COUNTY PUBLIC LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE G - EMPLOYEE BENEFITS (CONTINUED)

Kentucky Retirement Systems issues a stand-alone financial report that includes financial statements and required supplementary information including actuarial valuation for Kentucky Retirement Systems. Interested parties may obtain a copy for further plan information from the most recently published CAFR at www.kyret.com.

NOTE H - OTHER LONG-TERM OBLIGATIONS

The Library has the following long-term obligations outstanding as of June 30, 2014:

Accrued compensated absences	\$ <u>24,174</u>
Total long-term obligations	\$ <u>24,174</u>

NOTE I - RISK MANAGEMENT

The Library is exposed to various forms of losses associated with the risks of fire; personal liability, vehicular accidents; errors and omissions; torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Each of these risk areas is covered through the purchase of commercial insurance. The Library has purchased certain policies that are retrospectively rated which include worker's compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

SUPPLEMENTAL INFORMATION

HENRY COUNTY PUBLIC LIBRARY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 620,000	\$ 620,000	\$ 664,950	\$ 44,950
Governmental grants	15,200	15,200	15,151	(49)
Gifts and contributions	1,350	1,350	869	(481)
Book rentals and fines	3,000	3,000	3,357	357
Copier and fax income	6,500	6,500	6,742	242
Investment income	4,000	4,000	3,568	(432)
Miscellaneous income	19,000	19,000	25,201	6,201
TOTAL REVENUES	669,050	669,050	719,838	50,788
EXPENDITURES				
Personnel	407,500	407,500	371,465	36,035
Library materials	77,000	77,000	70,913	6,087
Bookmobile expense	4,000	4,000	5,559	(1,559)
Operating expenses	144,250	144,250	136,843	7,407
Capital outlay	-	-	4,973	(4,973)
Debt service - note principal	-	-	-	-
Debt service - bond interest	-	-	-	-
TOTAL EXPENDITURES	632,750	632,750	589,753	42,997
EXCESS OF REVENUES OVER EXPENDITURES	36,300	36,300	130,085	93,785
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Proceeds from sale of surplus equipment	-	-	-	-
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCES	36,300	36,300	130,085	93,785
Budget Basis			\$ 130,085	
Revenue Accruals			8,186	
Expenditure Accruals			-	
GAAP Basis			\$ 138,271	

GOVERNMENTAL AUDITING STANDARDS

DePRIE & ADKISSON, PSC
Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

INDEPENDENT AUDITOR'S 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 Directors
Henry County Public Library
Eminence, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Henry County Public Library as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Henry County Public Library, Kentucky's basic financial statements and have issued our report thereon dated April 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Public 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 Henry County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henry County Public 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.

To the Board of Directors
Henry County Public Library
Page 2

Compliance and Other Matters

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

Purpose of this Report

This 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 communications is not suitable for any other purpose.

DePrie & Adkisson, PSC

Certified Public Accountants

April 19, 2015