

HENRY COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2011

HENRY COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2011

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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

We have audited the accompanying 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, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Henry County Public Library's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, and the aggregate remaining fund information of the Henry County Public Library as of June 30, 2011, and the respective changes in financial position and budgeting comparison for the General Fund, and Restricted Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, on our consideration of the Henry County Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on page 2 for the year ended June 30, 2011 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Library's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

DePrie & Adkisson, PSC

Certified Public Accountants

July 27, 2012

HENRY COUNTY PUBLIC LIBRARY

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Henry County Public Library

Management's Discussion and Analysis

Fiscal Year 2010-2011

The Henry County Public Library is a special taxing district 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 the having annual audits performed, the Henry County Public Library system completes an annual report that contains financial and other detailed statistical information.

Henry County is experiencing a level of growth slightly below average for the state of Kentucky, having increased in population by 2.3% in the period between the years 2000 to 2010. The growth rates of the surrounding counties, particularly Shelby and Oldham Counties, have seen dramatic increases in population over the past ten years as Louisville residents and businesses spilled outside of its borders. However, even though the Louisville metro area continues to expand in all directions, it remains to be seen if the growth rate will increase in the years to come.

During the fiscal year 2010-2011 the Henry County Public Library received \$652,213 Total General Revenue. Of that amount, \$577,455 was from local taxes, comprising 88.5% of the Total General Revenue. \$16,251, or 2.5%, came from the Commonwealth of Kentucky. The remainder, \$58,507, came from sources such as interest income, fine income, copier service income, donations, insurance payouts, and miscellaneous sources. The library spent \$555,186 in 2010-2011. Of that amount, \$345,052 went toward salaries and benefits; \$69,421 was spent on library materials including books, periodicals, and videos; \$2,328 was spent on bookmobile expenses; \$117,267 was spent on operating expenses; and \$21,118 was spent on Capital Outlay. As of June 30, 2011, the Henry County Public Library had a cash balance of \$613,868. Some of the apparent surplus is needed to tide the library over until well into the next fiscal year, as the bulk of the tax income is not received until November or December.

Any additional savings surplus becomes available for library use for increasing purchases of materials, programs, hours, and staffing. The Henry County Public Library is currently building up reserves for future construction projects.

HENRY COUNTY PUBLIC LIBRARY

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The library facilities are currently below minimum Kentucky standards in regard to square footage per capita and the current rate of population growth will serve to further exacerbate this shortcoming. We hope to build a new library to replace the current building within five to ten years.

The library is experiencing a major increase in the use of library materials and facilities. In addition, we are adding new programs and events for all of our patrons. We offer internet access via our public access computers and by means of our Wi-Fi network. We also offer computer assistance, reference services, and a new program taking computer education out of the library and into the community. In addition, we make regular visits to day-care facilities, senior citizen centers, and homebound patrons with our bookmobile service. The library's mission is to provide education, information, and entertainment to the citizens of Henry County and to do so with continually improving levels of service.

If you have any questions about this report or need additional financial information, contact Joe Schweiss, Director, at the Henry County Public Library, 172 Eminence Terrace, Eminence, KY 40019. Phone: (502) 845-5682; Fax: (502) 845-4807; or email: joe@henrylibrary.org

HENRY COUNTY PUBLIC LIBRARY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2011

	General Fund	Total	Adjustments (Note B)	Statement of Net Assets
ASSETS				
Cash	\$ 440,793	\$ 440,793	\$ -	\$ 440,793
Investments	157,510	157,510	-	157,510
Accrued interest receivable	-	-	-	-
Property taxes receivable	25,511	25,511	-	25,511
Other receivables	-	-	-	-
Prepaid expense	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	350,649	350,649
TOTAL ASSETS	<u>623,814</u>	<u>623,814</u>	<u>350,649</u>	<u>974,463</u>
LIABILITIES				
Accounts payable	9,946	9,946	-	9,946
Other current liabilities	-	-	22,558	22,558
Noncurrent liabilities	-	-	-	-
Notes payable				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
TOTAL LIABILITIES	<u>9,946</u>	<u>9,946</u>	<u>22,558</u>	<u>32,504</u>
FUND BALANCES/NET ASSETS				
Fund balances				
Unreserved, reported in general fund	613,868	613,868	(613,868)	-
Unreserved, reported in special revenue fund	-	-	-	-
TOTAL FUND BALANCES	<u>613,868</u>	<u>613,868</u>	<u>(613,868)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 623,814</u>	<u>\$ 623,814</u>		<u>32,504</u>
Net Assets				
Invested in capital assets, net of related debit			350,649	350,649
Unrestricted			591,310	591,310
Temporarily restricted			-	-
TOTAL NET ASSETS			<u>941,959</u>	<u>941,959</u>
TOTAL LIABILITIES AND NET ASSET			<u>\$ 350,649</u>	<u>\$ 974,463</u>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS

For The Year Ended June 30, 2011

Fund balances - total governmental funds	\$ 613,868
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	350,649
Some expenditures reported in the statement of net assets 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	
Compensated absences	
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	(22,558)
	<u>\$ 941,959</u>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended June 30, 2011

	General Fund	Total	Adjustments (Note B)	Statement of Activities
REVENUES				
Property taxes	\$ 577,455	\$ 577,455	\$ -	\$ 577,455
Governmental grants	31,096	31,096	-	31,096
Gifts and contributions	1,240	1,240	-	1,240
Book rentals and fines	3,298	3,298	-	3,298
Copier and fax income	7,958	7,958	-	7,958
Investment income	5,960	5,960	-	5,960
Miscellaneous income	25,206	25,206	-	25,206
TOTAL REVENUES	652,213	652,213	-	652,213
EXPENDITURES/EXPENSES				
Personnel	345,052	345,052	1,187	346,239
Library materials	69,421	69,421	(56,377)	13,044
Bookmobile expenses	2,328	2,328	-	2,328
Operating expenses	117,267	117,267	-	117,267
Capital outlay	21,118	21,118	(21,118)	-
Depreciation	-	-	76,485	76,485
Debt service - note payable	-	-	-	-
Debt service - bond interest	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	555,186	555,186	177	555,363
EXCESS OF REVENUES OVER EXPENDITURES/EXPENSES	97,027	97,027	(177)	96,850
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Proceeds from sale of surplus equipment	-	-	-	-
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCES/ NET ASSETS	97,027	97,027	(177)	96,850
ADJUSTMENT	-	-	-	-
FUND BALANCE/NET ASSETS, BEGINNING	516,841	516,841	328,268	845,109
FUND BALANCE/NET ASSETS, ENDING	\$ 613,868	\$ 613,868	\$ 328,091	\$ 941,959

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, 2011

Net change in fund balances - total governmental funds	\$ 97,027
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 capital outlay (\$77,495) exceeded depreciation (\$76,485) in the current period.	1,010
Some expenditures reported in the statement of net assets 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	(1,187)
	<hr/>
Current year change to Net Assets	<u>\$ 96,850</u>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY

SCHEDULE OF EXPENDITURES
For The Year Ended June 30, 2011

Personnel	
Librarian and library staff	219,679
Payroll taxes	18,991
Pension expense	53,782
Insurance	52,600
Total Personnel	<u>345,052</u>
Library materials	
Books	43,591
Periodicals	2,396
Audio/visual aids/software	18,145
Library supplies	5,289
Total Library Materials	<u>69,421</u>
Bookmobile Expenses	
Operations	2,328
Repairs	-
Total Bookmobile Expenses	<u>2,328</u>
Operating expenses	
Utilities	11,856
Telephone	3,969
Maintenance	41,460
Cleaning service	5,457
Insurance	7,245
Office supplies	1,671
Computer maintenance and software	11,543
Dues	496
Travel	979
Professional fees	2,541
Payroll service	2,621
Program expense	7,379
Public relations	9,113
Staff training	709
Interest	-
Equipment/furniture/building	7,679
Miscellaneous expense	2,549
Total Operating Expenses	<u>117,267</u>
Capital Outlay	
Debt service	-
Other	21,118
Total Capital Outlay	<u>21,118</u>
Total Expenses	<u><u>555,186</u></u>

See Accompanying Notes to Financial Statements

HENRY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Henry County Public Library (the "Library") was established under provisions of Kentucky Revised Statutes as a special taxing district. The Library was established for the purpose of providing library services to the people of Henry County, Kentucky. The Library is governed by a five-member Board of Trustees who governs with fixed terms as specified by law.

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 FINANCIAL STATEMENTS

June 30, 2011

- (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.

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 FINANCIAL STATEMENTS

June 30, 2011

- (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, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.
- (7) **Net Assets** – Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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 \$5,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Library 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, 2011, 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 FINANCIAL STATEMENTS

June 30, 2011

B. CASH AND INVESTMENTS

At June 30, 2011, the carrying amount of the Library's deposits (cash and cash equivalents) was \$598,304. Of the bank balance, \$433,847 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.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	262,383	-	-	262,383
Vehicle	50,386	-	-	50,386
Library collection	321,147	56,377	-	377,524
Furniture & equipment	<u>126,495</u>	<u>21,118</u>	<u>-</u>	<u>147,613</u>
Total Cost	760,411	77,495	(-)	837,906
Less:				
Accumulated Depreciation	(<u>410,772</u>)	(<u>76,485</u>)	(<u>-</u>)	(<u>487,257</u>)
Net Book Value	<u>\$ 349,639</u>	<u>\$ 1,010</u>	<u>\$ (-)</u>	<u>\$ 350,649</u>

D. 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 vacation hours, which are vested. Accordingly, the employee can be paid for unused vacation days upon termination of employment.

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 \$22,558 at June 30, 2011.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

E. 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.

F. EMPLOYEES' RETIREMENT PLAN

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 adjustments (COLA) are provided at the discretion of the State legislature.

Participants have a vested right to retirement benefits at age 65 with at least 4 years service or at any age with at least 27 years of service, if they do not withdraw deposits. A member may receive a reduced standard annuity at age 55 with 5 or more years of service or any age below 55 with 25 or more years of service. Benefits under CERS will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

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 16.93% 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 required employer contribution and the actual percentage contributed by the Library for the current and previous year was 13.50%, 16.16%, and 16.93% for the years ending June 30, 2009, 2010 and 2011, respectively.

Trend Information

Contributions required by state statute for the year ended June 30, 2011 were 100% contributed. Such contributions included employer contributions and withholdings from employees. The Library's total payroll for all employees during the year was \$219,679 and \$217,806 of such amount related to employees covered by CERS.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2010, for the CERS as a whole, determined through an actuarial valuation performed as of that date, was \$8,459,022,280. The CERS's net assets available for benefits at that date (valued at market) were \$5,546,857,291.

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.

G. OTHER LONG-TERM OBLIGATIONS

The Library has the following long-term obligations outstanding as of June 30, 2011:

Accrued compensated absences	\$ <u>22,558</u>
Total long-term obligations	\$ <u>22,558</u>

H. 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
TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 563,930	\$ 563,930	\$ 563,930	\$ -
Governmental grants	16,251	16,251	31,096	14,845
Gifts and contributions	1,240	1,240	1,240	-
Book rentals and fines	3,298	3,298	3,298	-
Copier and fax income	7,958	7,958	7,958	-
Investment income	5,960	5,960	5,960	-
Miscellaneous income	40,051	40,051	25,206	(14,845)
TOTAL REVENUES	638,688	638,688	638,688	-
EXPENDITURES				
Personnel	349,251	349,251	345,052	4,199
Library materials	71,940	71,940	69,421	2,519
Bookmobile expense	3,000	3,000	2,328	672
Operating expenses	158,900	158,900	116,962	41,938
Capital outlay	5,000	5,000	21,118	(16,118)
Debt service - note principal	-	-	-	-
Debt service - bond interest	-	-	-	-
TOTAL EXPENDITURES	588,091	588,091	554,881	33,210
EXCESS OF REVENUES OVER EXPENDITURES	50,597	50,597	83,807	33,210
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Proceeds from sale of surplus equipment	-	-	-	-
Transfers	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCES	50,597	50,597	83,807	33,210
Budget Basis			\$ 83,807	
Revenue Accruals			13,524	
Expenditure Accruals			(304)	
GAAP Basis			<u>\$ 97,027</u>	

GOVERNMENTAL AUDITING STANDARDS

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

DePRIE & ADKISSON, PSC
Certified Public Accountants

12730 Townepark Way, Suite 103
Louisville, Kentucky 40243

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

We have audited 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, 2011, which collectively comprise the Henry County Public Library, Kentucky's basis financial statements and have issued our report thereon dated July 27, 2012. We concluded our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henry County Public Library's internal control over financial reporting as a basis for designing our auditing procedures 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 over reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Public Library's, internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the Henry County Public Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Henry County Public Library's financial statements that is more than inconsequential will not be prevented or detected by the Henry County Public Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Henry County Public Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify a material weakness related to the fact the library does not have the accounting staff with sufficient experience to prepare the financial statements. The library officials can assume responsibility for the financial statements prepared by the auditors, but do not have the expertise or knowledge to prepare the statements themselves.

To the Board of Directors
Henry County Public Library
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Compliance and Other Matters

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

This report is intended for the information and use of the Board of Directors, management, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

DePrie & Adkisson, PSC

Certified Public Accountants

July 27, 2012