

HENRY COUNTY PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2018

With

Independent Auditor's Report

HENRY COUNTY PUBLIC LIBRARY

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Independent Auditor's Report

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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

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, 2018, 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, 2018, 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
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Change in Accounting Principle

As discussed in Note G to the financial statements, in 2018 the Library adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our Opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules for pension and other postemployment benefits plans, as listed in the table of contents 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 September 6, 2018, 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

September 6, 2018

Henry County Public Library Management Analysis and Discussion FY 2017/2018

The Henry County Public Library is a special purpose government entity authorized under KRS 173.340. The Henry County Public 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 16,006 in 2017 with almost no growth predicted for the county in the next 50 years, though Shelby and Oldham counties could see large population gains. Formal estimates have failed to take into account local issues and Henry County could be poised to be the next bedroom community for Louisville and Frankfort.

The library received \$962,031 in total revenue, with \$851,822 coming from local property taxes. The Kentucky Department of Libraries and Archives provided \$14,212 in regular yearly library grant aid from the Commonwealth of Kentucky. Other miscellaneous income, including property insurance reimbursements, interest income, other grants, fine and copier fee income, and donations amounted to \$35,514. The library spent \$815,808 in 2017/2018 with \$417,957 going to salaries and benefits (on par with the national average for a libraries serving similar populations and reflecting the new raised amounts for CERS pension contributions), \$63,415 for library materials including books, DVDs, and periodicals, \$6,481 towards running and maintaining the bookmobile program, \$156,514 for operating expenses such as library programming, IT expenses, online database access, and building maintenance and utilities. The library also spent \$171,441 as capital outlay, part of which was to acquire a new piece of property adjacent to the existing plot marked for the new library and the rest was for design and ground engineering services for the long awaited construction project. As of June 30th, 2018 the library had a net position of \$1,414,983. Of the \$1,414,983, \$400,000 is earmarked as reserves to provide for 8 months of operating expenses in case of emergency (as suggested by the Kentucky Department of Library and Archives), \$300,000 is earmarked to for monthly expenses till the bulk of the tax income arrives in late fall, and the remaining \$714,983 is earmarked for the new library construction project.

The library has moved forward with plans to construct a new library facility and formally broke ground on the project on October 27, 2018. The facility will be approximately 14,000 square feet and will meet minimum Kentucky standards in regards to square footage per capita. Additional meeting rooms, quiet study rooms, and computers will meet community demand for 21st century library services. Teens will have their own space and the children's area will be greatly expanded to accommodate hands-on activities and a range of books on shelves that children can reach. The community and library staff are very excited to see this long-term project for community development finally come to fruition.

Half of Henry County still does not have access to reliable high-speed internet, so free library wi-fi and computers continue to be a critical service for residents. The 2017-2018 fiscal year saw over 32,273 wireless and computer sessions and a 64% increase in downloads of ebooks and audiobooks. Over 12,400 people visited the library to attend high-quality educational programming, enough to fill up Louisville's Slugger Stadium. The library also makes regular visits to day cares, senior centers, and homebound patrons with its bookmobile and outreach service. The library's mission is to provide education, information, and entertainment to the residents of Henry County, which we did during over 70,000 visits in 2017/2018.

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

**HENRY COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET POSITION**

June 30, 2018

	Governmental Funds			Statement of Net Position
	General Fund	Total	Adjustments	
ASSETS				
Cash	\$ 1,499,095	\$ 1,499,095	\$ -	\$ 1,499,095
Investments	163,303	163,303	-	163,303
Accrued interest receivable	-	-	-	-
Property taxes receivable	8,695	8,695	-	8,695
Capital assets, net of accumulated depreciation	-	-	501,905	501,905
TOTAL ASSETS	<u>1,671,093</u>	<u>1,671,093</u>	<u>501,905</u>	<u>2,172,998</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension plans	-	-	146,805	146,805
Deferred outflows related to OPEB	-	-	43,923	43,923
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>190,728</u>	<u>190,728</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>1,671,093</u>	<u>1,671,093</u>	<u>692,633</u>	<u>2,363,726</u>
LIABILITIES				
Accounts payable	5,318	5,318	-	5,318
Other current liabilities	4,275	4,275	-	4,275
Other liabilities due in more than one year	-	-	15,953	15,953
Accrued compensated liabilities	-	-	148,202	148,202
Net OPEB liability	-	-	431,506	431,506
Net pension liability	-	-	-	-
TOTAL LIABILITIES	<u>9,593</u>	<u>9,593</u>	<u>595,661</u>	<u>605,254</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to other postemployment benefits	-	-	7,760	7,760
Deferred inflows related to pension plans	-	-	94,297	94,297
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>102,057</u>	<u>102,057</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>9,593</u>	<u>9,593</u>	<u>697,718</u>	<u>707,311</u>
FUND BALANCES/NET POSITION				
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unassigned	1,661,500	1,661,500	(1,661,500)	-
TOTAL FUND BALANCES	<u>1,661,500</u>	<u>1,661,500</u>	<u>(1,661,500)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,671,093</u>	<u>\$ 1,671,093</u>		<u>\$ 707,311</u>
Net Position				
Invested in capital assets, net of related debit			501,905	501,905
Restricted			-	-
Unrestricted			1,154,510	1,154,510
TOTAL NET POSITION			<u>1,656,415</u>	<u>1,656,415</u>
TOTAL LIABILITIES AND NET POSITION			<u>\$ 692,633</u>	<u>\$ 2,363,726</u>

The accompanying notes are an integral part of this statement

**HENRY COUNTY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

For The Year Ended June 30, 2018

Fund balances - total governmental funds		\$ 1,661,501
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.		501,905
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(15,953)	
Bonds payable	-	
Net OPEB liability	(148,202)	
Net pension liability	<u>(431,506)</u>	(595,661)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in funds.		
Deferred outflows of resources	146,805	
Deferred inflows of resources	<u>(94,297)</u>	52,508
Deferred outflows and inflows of resources related to other post employment benefits (OPEB) applicable to future periods and, therefore, are not reportable in funds.		
Deferred outflows of resources	43,923	
Deferred inflows of resources	<u>(7,760)</u>	36,163
 Total Net Position		 <u><u>\$ 1,656,416</u></u>

The accompanying notes are an integral part of this statement

**HENRY COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2018

	General Fund	Total	Adjustments	Statement of Activities
REVENUES				
Property taxes	\$ 851,822	\$ 851,822	\$ -	\$ 851,822
Governmental grants	22,853	22,853	-	22,853
Gifts and contributions	137	137	-	137
Book rentals and fines	2,956	2,956	-	2,956
Copier and fax income	8,012	8,012	-	8,012
Investment income	5,465	5,465	-	5,465
Miscellaneous income	10,303	10,303	-	10,303
		-		
TOTAL REVENUES	<u>901,548</u>	<u>901,548</u>	<u>-</u>	<u>901,548</u>
EXPENDITURES/EXPENSES				
Personnel	417,957	417,957	35,864	453,821
Library materials	63,415	63,415	(51,401)	12,014
Bookmobile expenses	6,481	6,481		6,481
Operating expenses	156,514	156,514	(5,401)	151,113
Capital outlay	171,441	171,441	(171,441)	-
Depreciation	-	-	67,845	67,845
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	<u>815,808</u>	<u>815,808</u>	<u>(124,534)</u>	<u>691,274</u>
CHANGE IN FUND BALANCES/ NET POSITION	85,740	85,740	124,534	210,274
PRIOR PERIOD ADJUSTMENT	-	-	-	(101,402)
FUND BALANCE/NET POSITION, BEGINNING	<u>1,575,760</u>	<u>1,575,760</u>	<u>(78,218)</u>	<u>1,497,542</u>
FUND BALANCE/NET POSITION, ENDING	<u>\$ 1,661,500</u>	<u>\$ 1,661,500</u>	<u>\$ 46,316</u>	<u>\$ 1,606,414</u>

The accompanying notes are an integral part of this statement

**HENRY COUNTY PUBLIC LIBRARY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2018

Net change in fund balances - total governmental funds		\$ 85,741
 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 (\$228,243) exceeded depreciation (\$67,845) in the current period.		160,398
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:		
Compensated absences		(781)
Governmental funds report Library pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions, is reported as pension expense:		
District pension contributions	48,608	
Costs of benefits earned	(73,054)	(24,446)
Governmental funds report Library pension contributions as expenditures. However, in the statements of activities, the cost of other post employment benefits (OPEB) is reported as insurance expense:		
Costs of benefits earned		(10,637)
		(10,637)
Current year change to Net Position		\$ 210,275

The accompanying notes are an integral part of this statement

HENRY COUNTY PUBLIC LIBRARY
SCHEDULE OF EXPENDITURES
For The Year Ended June 30, 2018

Personnel	309,626
Librarian and library staff	25,982
Payroll taxes	48,608
Pension expense	33,741
Insurance	<u> </u>
Total Personnel	<u>417,957</u>
Library materials	34,049
Books	2,937
Periodicals	14,415
Audio/video	12,014
Library supplies	<u> </u>
Total Library Materials	<u>63,415</u>
Bookmobile Expenses	6,481
Operations	-
Repairs	<u> </u>
Total Bookmobile Expenses	<u>6,481</u>
Operating expenses	16,327
Utilities	2,065
Telephone	13,690
Maintenance	18,734
Cleaning service	11,729
Insurance	2,108
Office supplies	1,110
Postage	2,371
Copy expense	31,888
Computer maintenance and software	1,780
Dues	2,406
Travel	10,870
Professional fees	15,459
Program expense	8,965
Public relations	3,311
Staff training	13,234
Equipment/furniture/building	467
Miscellaneous expense	<u> </u>
Total Operating Expenses	<u>156,514</u>
Capital Outlay	-
Debt service	171,441
Other	<u> </u>
Total Capital Outlay	<u>171,441</u>
Total Expenses	<u><u>815,808</u></u>

The accompanying notes are an integral part of this statement

HENRY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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, 2018

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, 2018, 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) **Deferred Outflows of Resources** – The Library reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of position. Deferred outflows of resources reported in this year's financial statements relate to the Library's pension plan and OPEB plan and include (1) contributions made to the Library's pension plan and OPEB plan between the measurement date of the net pension liability and the end of the Library's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions,

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (11)(4) changes in the proportionate share of the Library's contributions to the pension fund, and OPEB fund and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent year. No deferred outflows of resources affect the governmental funds financial statements in the current year.
- (12)**Deferred Inflows of Resources** – The Library's statement of net position reports separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements related to the Library's pension plan and OPEB plan and include (1) changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund (2) difference between projected and actual earning on plan investments and (3) differences between expected and actual experience. The deferred amount related to the changes in the proportionate share of the Library's contributions to the pension fund and OPEB fund and the amount related to the differences between expected and actual experience will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows affect the governmental funds financial statements in the current year.
- (13)**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- (14)**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.
- (15)**Use of Restricted Resources** – When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before unassigned fund balances.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16)**Other Postemployment Benefits (OPEB)** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS’s fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE C - CASH AND INVESTMENTS

At June 30, 2017, the carrying amount of the Library’s deposits (cash and cash equivalents) was \$1,662,398. Of the bank balance, \$893,305 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, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 82,358	\$ 39,627	\$ -	\$ 121,985
Buildings	262,383	-	-	262,383
In Progress	-	131,813	-	131,813
Vehicles	50,386	-	-	50,386
Collection	422,835	51,401	(58,045)	416,191
Equipment and Furniture	<u>173,386</u>	<u>5,401</u>	<u>-</u>	<u>178,787</u>
Total Cost	991,348	228,242	(58,045)	1,161,545
Less:				
Accumulated Depreciation	(649,840)	(67,845)	<u>58,045</u>	(659,640)
Net Book Value	<u>\$ 341,508</u>	<u>\$ 160,397</u>	<u>\$ -</u>	<u>\$ 501,905</u>

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 \$15,173 at June 30, 2017.

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.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE G - EMPLOYEES' RETIREMENT PLAN

General Information about the Pension Plan

Plan description. Employees of the District are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on their hire date:

Tier 1	Participation date Unreduced Retirement Reduced Retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or At least 25 years service and any age
Tier 2	Participation date Unreduced Retirement Reduced Retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced Retirement Reduced Retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or Age 57+ and sum of service years plus age equal 87 Not available

Employees are vested in the plan after five years of service. Cost of living adjustments are provided at the discretion of the Kentucky General Assembly. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are required to contribute 5% of their annual creditable compensation. Tier 2 and 3 employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. Contributions to the pension plan from the District were \$40,255 for the year ended June 30, 2018, of which \$30,391 was for the pension fund and \$9,864 was for the insurance fund.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE G - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

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

At June 30, 2018, the District reported a liability of \$431,506 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.007372%, which was an increase of -0.001733% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$54,836. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 535	\$ 10,953
Changes of assumptions	79,625	-
Net difference between projected and actual earnings on plan investments	34,175	28,838
Changes in proportion and differences between District contributions and proportionate share of contributions	2,079	50,506
District contributions subsequent to the measurement date	30,391	-
	\$ 146,805	\$ 90,297

The \$30,391 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 48,440
2020	47,301
2021	22,262
2022	(95,885)
2023	-
	\$ 22,118

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE G - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25% net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 6.25 %. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE G - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100%</u>	

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 %) or 1-percentage-point higher (7.25%) than the current rate:

	Decrease (5.25%)	Discount Rate (6.25%)	Increase (7.25%)
District's proportionate share of the net pension liability	\$ 544,222	\$ 431,506	\$ 337,219

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

Payables to the pension plan

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, \$3,333 was payable to the pension plan for the pension fund and \$817 was for the insurance fund.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE H – POSTEMPLOYMENT BENEFITS

General Information about the Postemployment Benefits Plan (OPEB)

Plan description. Employees of the District are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of contributions paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2017 is \$13.18 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note 5 Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. See Note 5 for contributions to the plan from the District during the current fiscal year.

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

At June 30, 2018, the District reported a liability of \$148,202 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.007372%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$16,888. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 412
Changes of assumptions	32,248	-
Net difference between projected and actual earnings on plan investments	-	7,004
Changes in proportion and differences between District contributions and proportionate share of contributions	-	344
District contributions subsequent to the measurement date	11,675	-
	\$ 43,923	\$ 7,760

The \$11,675 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 4,214
2020	4,214
2021	4,214
2022	4,214
2023	5,965
2024	1,669
	\$ 24,490

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%, average,
Investment rate of return	6.25%

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years
------------------------	---

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Discount rate. The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note 5 Employee’s Pension Plan.

The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100%</u>	

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84 %) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
District's proportionate share of the net OPEB liability	\$ 188,579	\$ 148,202	\$ 114,602

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare trend rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the healthcare trend rate of noted above, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE H – POSTEMPLOYMENT BENEFITS (CONTINUED)

	1% Decrease	Current Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 113,679	\$ 148,202	\$ 193,081

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

Payables to the OPEB plan

The District makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, \$817 was payable to the pension plan for the OPEB Fund.

NOTE I - OTHER LONG-TERM OBLIGATIONS

The Library has the following long-term obligations outstanding as of June 30, 2018:

Accrued compensated absences	\$ <u>15,953</u>
Total long-term obligations	\$ <u>15,953</u>

NOTE J - LONG-TERM OBLIGATIONS

The following is a summary of changes in the long-term obligations for the year ended June 30, 2018:

	Beginning Balance	Increase	Decrease	Ending Balance
Accrued compensated absences	\$ 15,173	\$ -	\$ 780	\$ 15,953
Net OPEB liability	-	148,202	-	148,202
Net pension liability	<u>448,313</u>	-	<u>16,807</u>	<u>431,506</u>
Total long-term obligations	<u>\$ 463,486</u>	<u>\$ 148,202</u>	<u>\$ 17,587</u>	<u>\$ 595,661</u>

NOTE K - 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.

HENRY COUNTY PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE L – SUBSEQUENT EVENTS

The Library has evaluated subsequent events through November 15, 2018, which is the date the financial statements were available to be issued.

NOTE M – PRIOR PERIOD ADJUSTMENT

The Library has recorded an adjustment to the Beginning Net Position of (\$101,042) at July 1, 2017. This adjustment accounts for estimated net other postemployment benefits liability at June 30, 2017, and is being recorded in accordance with Government Accounting Standards Board Statement No. 75.

REQUIRED SUPPLEMENTARY 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, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 800,000	\$ 800,000	858,001	\$ 58,001
Governmental grants	112,450	112,450	22,853	(89,597)
Gifts and contributions	-	-	137	137
Book rentals and fines	4,500	4,500	2,956	(1,544)
Copier and fax income	6,500	6,500	8,012	1,512
Investment income	4,000	4,000	5,465	1,465
Miscellaneous income	11,000	11,000	10,303	(697)
TOTAL REVENUES	<u>938,450</u>	<u>938,450</u>	<u>907,727</u>	<u>(30,723)</u>
EXPENDITURES				
Personnel	446,800	446,800	417,848	(28,952)
Library materials	228,700	228,700	66,814	(161,886)
Bookmobile expense	6,000	6,000	6,551	551
Operating expenses	158,700	158,700	158,734	34
Capital outlay	95,000	95,000	171,441	76,441
Debt service - bond principal	-	-	-	-
Debt service - bond interest	-	-	-	-
TOTAL EXPENDITURES	<u>935,200</u>	<u>935,200</u>	<u>821,388</u>	<u>(113,812)</u>
CHANGE IN FUND BALANCES	<u>3,250</u>	<u>3,250</u>	<u>86,339</u>	<u>83,089</u>

BUDGET TO GAAP RECONCILIATION:

A reconciliation of the cash basis actual amounts to the GAAP basis actual amounts in the fund statements follows:

	<u>General Fund</u>
Sources/revenues	
Actual amounts (budgetary basis)	\$ 907,727
Differences - budget to GAAP:	
The Library budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis.	<u>(6,179)</u>
Total revenues as reported on the governmental fund statement of revenues, expenditures, and changes in fund balances.	<u>\$ 901,548</u>
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 828,388
Differences - budget to GAAP:	
The Library budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis.	<u>(12,580)</u>
Total expenditures as reported on the governmental fund statement of revenues, expenditures, and changes in fund balance.	<u>\$ 815,808</u>

The accompanying notes are an integral part of this statement

HENRY COUNTY PUBLIC LIBRARY

SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Library's proportion of the net pension liability (asset)	0.00737200%	0.009105%	0.009303%	0.008906%						
Library's proportionate share of the net pension liability (asset)	\$ 431,506	\$ 448,313	\$ 399,967	\$ 288,939						
Library's covered-employee payroll	\$ 179,482	\$ 217,209	\$ 217,041	\$ 217,506						
Library's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.42%	206.40%	184.28%	132.84%						
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%						

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

HENRY COUNTY PUBLIC LIBRARY

SCHEDULE OF LIBRARY PENSION FUND CONTRIBUTIONS

County Employees Retirement System

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 30,391	\$ 25,038	\$ 26,977	\$ 27,673	\$ 26,821					
Contributions in relation to the contractually required contribution	\$ (30,391)	\$ (25,038)	\$ (26,977)	\$ (27,673)	\$ (26,821)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
Library's covered-employee payroll	\$ 209,879.63	\$ 179,482	\$ 217,209	\$ 217,041	\$ 217,506					
Contributions as a percentage of covered-employee payroll	14.46%	13.93%	12.40%	12.75%	12.33%					

HENRY COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2018

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

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

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed

Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

HENRY COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

County Employees Retirement System

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net OPEB liability (asset)	0.00737200%									
District's proportionate share of the net OPEB liability (asset)	\$ 148,202									
District's covered-employee payroll	\$ 179,482									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.57%									
Plan fiduciary net position as a percentage of the total pension liability	52.39%									

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

HENRY COUNTY PUBLIC LIBRARY DISTRICT
SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS

County Employees Retirement System

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 9,864	\$ 13,914								
Contributions in relation to the contractually required contribution	\$ (9,864)	\$ (13,914)								
Contribution deficiency (excess)	\$ -	\$ -								
District's covered-employee payroll	\$ 209,879.63	\$ 179,482								
Contributions as a percentage of covered-employee payroll	4.68%	7.73%								

HENRY COUNTY PUBLIC LIBRARY

NOTES TO REQUIRED OPEB SUPPLEMENTARY INFORMATION

June 30, 2018

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

2003: Medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003.

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

2017

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed payroll growth was reduced from 4.00% to 2.00%.
- The assumed salary increase was reduced from 4.00% to 3.05%.
- The assumed healthcare trend rates for pre – 65 members reduced from an initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years to an initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
- The assumed healthcare trend rates for post – 65 members reduced from an initial trend starting at 5.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years to an initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	28 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

GOVERNMENTAL AUDITING STANDARDS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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, 2018, 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 September 6, 2018.

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
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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 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 communication is not suitable for any other purpose.

DePrie & Adkisson, PSC

Certified Public Accountants

September 6, 2018