

HENRY COUNTY PUBLIC LIBRARY
FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Henry County Public Library

Opinion

We have audited the accompanying financial statements of the governmental activities of the Henry County Public Library, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Henry County Public Library, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Henry County Public Library, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Henry County Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Henry County Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of changes in benefits and assumptions- pension, schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and the schedule of changes in benefits and assumptions- OPEB on pages 3 through 6, and pages 23 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry County Public Library's internal control over financial reporting and compliance.

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
January 10, 2023

Henry County Public Library Management's Discussion and Analysis

The Henry County Public Library's management offers readers of the financial statements this narrative overview and analysis of the financial activities of the library for the fiscal year ended June 30, 2022. Please read this MD&A in conjunction with the Library's Financial Statements, which follow.

Financial Highlights

- I. The Library spent approximately 4.42% of its tax revenues on Library Materials.*
- II. The Library continues to spend on improved equipment, maintenance, programs, and services.*

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Library. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements provide both long-term and short-term information about the Library's overall financial status. The fund financial statements focus on the current operational activity of the Library, reporting the Library's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the Library's accountability.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Library's activities in a way that will help answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the net position of the Library and the changes in them. One can think of the Library's net position – the difference between assets and liabilities – as a way to measure the Library's financial position. Over time, increases or decreases in the Library's net position are one indicator of whether the Library is doing better or worse financially. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the Library's funds. The fund financial statements provide more information about the Library's funds and current year detail operations and not the Library as a whole.

The Library's fund statement encompasses the activity of the general fund. The general fund is the primary and only operating fund of the Library. It accounts for financial resources used for general types of operations. This statement offers a short-term view of the current year.

Financial Analysis of the Library as a Whole

Below is an analysis of the comparative statement of net position for the years ending June 30, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Variance</u>
Capital assets, net of depreciation	\$ 5,765,381	\$ 5,977,201	\$ (211,820)
Other assets	1,935,162	1,450,950	484,212
Deferred outflows	135,853	202,394	(66,541)
Long-term liabilities	4,897,698	5,191,521	(293,823)
Current liabilities	162,054	129,265	32,789
Deferred inflows	235,921	72,505	163,416
Invested in fixed assets	1,504,505	1,598,427	(93,922)
Unrestricted net position	1,036,218	638,827	397,391

Revenue and Expense Comparison for the years ended:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Variance</u>
Taxing district revenues	\$ 1,077,093	\$ 1,013,933	\$ 63,160
Grant revenues	102,688	100,100	2,588
Investment income	4,812	5,836	(1,024)
Charges for services	4,067	2,383	1,684
Other revenues	63,991	26,664	37,327
Total revenues	<u>1,252,651</u>	<u>1,148,916</u>	<u>103,735</u>
Personnel expenses	372,766	390,778	(18,012)
Library materials	-	3,450	(3,450)
Bookmobile	1,736	2,733	(997)
Continuing Education	4,578	1,417	3,161
Processing & program supplies	15,470	11,454	4,016
Office supplies	5,233	4,786	447
Postage	675	556	119
Professional fees	17,285	16,205	1,080
Insurance	15,675	16,417	(742)
Utilities	33,614	25,852	7,762
Repairs & maintenance	41,723	29,032	12,691
Electronic access	9,442	36,992	(27,550)
Public relations & advertising	13,724	11,058	2,666
Cleaning & janitorial	19,913	137	19,776
Interest expense	157,810	149,399	8,411
Depreciation	239,540	240,726	(1,186)
Miscellaneous	(1,538)	5,673	(7,211)
Total expenditures	<u>947,646</u>	<u>946,665</u>	<u>981</u>
Change in net position	<u>\$ 305,005</u>	<u>\$ 202,251</u>	<u>\$ 102,754</u>

The Library's main source of revenue is property tax, which is approximately 85.99% of the Library's total revenue— slightly higher than the state average of 93.50%. Other income sources included grants, donations, state aid, book sales, service charges, and the sale of the old library property. The personnel expense represents 39.33% of total operating expenditures – below the state average of 64.82%.

Capital Asset Activity

Capital asset activity focused on programming. In the climate we now live in, programming is what draws people to the library. With gas prices high and entertainment costly and limited in the Henry County area, we spent more this year on making sure that quality, educational, and entertaining programs for all ages was available.

Capital asset activity also focused on promotional advertising. In order for residents to know about our programming we had to spend more for advertising and promoting.

Capital asset activity also included adding more prizes. This included more quality “swag” items to be given away as prizes for Summer Learning and outreach visits such as festivals and community events.

All fixed asset additions were funded through tax revenue without the use of bonding.

Budget Highlights

The Library adopts an annual budget at the June Board meeting after it has been presented in both April and May for discussion. The budget is devised through a cooperative team of Board members, Management staff, plus the Bookkeeper/Administrative Assistant. Several meetings are held prior to the June Board meeting, and goals for the next year are established by the staff and possible expenditures related to those goals are identified. The Operating Budget includes proposed expenses and the means of financing them. The Library’s operating budget is amended during the year if unusual events occur. A current Fiscal Year budget comparison for the current month and year to date is presented to the Board of Trustees as interim financial statements; however, they are not reported on, nor shown, on the financial statements section of this report.

The Library has operated on a zero-balance budget so that at the end of the fiscal year each budget category reverts back to the new balance for the new year. Each year the library staff has worked diligently to keep the overall budget in line with the projected budget. Some categories may be over but in general the overall amounts are taken to the Board of Trustees for approval before the purchase is made. Please note that this budget comparison is prior to any audit adjustments purposes. A summarized comparison of the governmental fund budget highlights is listed below:

Budget Comparison for 2021 – 2022

	<u>Budgeted</u>	<u>Actual Amount</u>	<u>Difference</u>
Net Revenue	\$ 1,190,495	\$ 1,259,715	\$ 69,220
Personnel expenses	454,208	395,372	58,836
Library Materials	74,500	47,648	26,852
Bookmobile	5,950	1,736	4,214
Continuing education	2,700	4,578	(1,878)
Processing & program supplies	19,500	15,470	4,030
Office supplies	9,200	5,233	3,967
Postage	900	675	225
Professional fees	15,200	17,285	(2,085)
Insurance	17,220	15,675	1,545
Utilities	42,050	33,614	8,436
Repairs & maintenance	18,000	41,723	(23,723)
Electronic access	62,200	9,442	52,758
Public relations & advertising	12,500	13,724	(1,224)
Cleaning & janitorial	21,500	19,913	1,587
Miscellaneous	-	(1,538)	1,538
Debt service	275,684	275,706	(22)
Capital outlay	145,009	17,025	127,984
Total Budgeted	<u>\$ 14,174</u>	<u>\$ 346,434</u>	<u>\$ 332,260</u>

Investment Administration

The Library continues to save funds from unspent fiscal year budgets to use for emergency purposes. These funds are invested in CD's in the banks with the best rates, and they are managed by the Library Board of Trustees, and in particular by the Library Board Treasurer. Moving CD's and monitoring interest rates are the responsibility of the Library Board of Trustees through the help and guidance of the CPA/Bookkeeper.

Economic Factors and Next Year's Budget

The Library considered many factors when setting the fiscal year 2022 budget. One of the factors was the local economy and anticipated tax revenue to be expected from the property tax. This is the Library's main source of revenue. The Library's operating expense increases and future capital expansion plans are dependent upon growth in tax revenue.

Contacting the Library Management

The financial report is designed to provide the citizens of Henry County and its creditors with a general overview of the Library's finances and to demonstrate the Library's accountability of the money it receives. If you have questions about this report or need additional financial information, do not hesitate to contact the Director, Tony Jones or the Treasurer for the Library Board, Ellen Suetholz.

Henry County Public Library
Governmental Funds Balance Sheet and Statement of Net Position
June 30, 2022

	General	Adjustments	Statement of Net Position
Assets			
Cash	\$ 1,619,212	\$ -	\$ 1,619,212
Investments	43,003	-	43,003
Accounts receivable	5,724	-	5,724
Prepaid expenses	6,358	-	6,358
Current portion of note receivable	-	65,000	65,000
Noncurrent note receivable	-	195,865	195,865
Nondepreciable capital assets	-	121,985	121,985
Depreciable capital assets, net of depreciation	-	5,643,396	5,643,396
Total Assets	1,674,297	6,026,246	7,700,543
Deferred Outflows			
Subsequent pension & OPEB contributions	-	42,652	42,652
Deferred outflows related to pensions	-	26,877	26,877
Deferred outflows related to OPEB	-	66,324	66,324
Total Deferred Outflows	-	135,853	135,853
Total Assets and Deferred Outflows	\$ 1,674,297	\$ 6,162,099	\$ 7,836,396
Liabilities			
Accounts payable	\$ 6,178	\$ -	\$ 6,178
Accrued interest payable	-	12,241	12,241
Premium on bond issuance	-	3,635	3,635
Deferred gain on sale of building	-	232,514	232,514
Net pension liability	-	421,949	421,949
Net OPEB liability	-	126,660	126,660
Compensated absences:			
Due within one year	-	5,000	5,000
Due after one year	-	6,575	6,575
Long-term debt:			
Due within one year	-	135,000	135,000
Due after one year	-	4,110,000	4,110,000
Total Liabilities	6,178	5,053,574	5,059,752
Deferred Inflows			
Deferred inflows related to pensions	-	145,253	145,253
Deferred inflows related to OPEB	-	90,668	90,668
Total Deferred Inflows	-	235,921	235,921
Fund Balance/ Net Position			
Fund Balances:			
Unspendable	6,358	(6,358)	-
Assigned- capital reserve	150,000	(150,000)	-
Assigned- emergency reserve	1,294,042	(1,294,042)	-
Unassigned	217,719	(217,719)	-
Total Fund Balances	1,668,119	(1,668,119)	-
Total Liabilities and Fund Balance	\$ 1,674,297		
Net Position:			
Invested in capital assets		1,504,505	1,504,505
Unrestricted		1,036,218	1,036,218
Total Net Position		872,604	2,540,723
Total Liabilities, Deferred Inflows and Net Position		\$ 6,162,099	\$ 7,836,396

The accompanying notes to the basic financial statements are an integral part of these financial statements.

Henry County Public Library
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 For The Year Ended June 30, 2022

Fund Balances- Total Governmental Funds	\$	1,668,119
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund		5,765,381
Certain assets (including notes receivable) are not due and payable in the current period and therefore, are not reported in the fund		260,865
Deferred outflows, inflows, and net pension and OPEB liabilities related to the implementation of GASB 68 and 75 which are not receivable or payable in the current period and therefore, not reported in the fund		(648,677)
Certain liabilities (including bonds payable and compensated absences) are not due and payable in the current period and therefore, not reported in the fund		(4,489,089)
Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences and accrued interest expense.		(15,876)
Net position of governmental activities	\$	<u><u>2,540,723</u></u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

Henry County Public Library
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in
Fund Balance and Statement of Activities
For the Year Ended June 30, 2022

	General	Adjustments (Note 1)	Statement of Activities
Expenditures/Expenses			
<u>Program expenses</u>			
Personnel expenses	\$ 395,372	\$ (22,606)	\$ 372,766
Library materials	47,648	(47,648)	-
Bookmobile	1,736	-	1,736
Continuing education	4,578	-	4,578
Processing and program supplies	15,470	-	15,470
<u>Operating expenses</u>			
Office supplies	5,233	-	5,233
Postage	675	-	675
Professional fees	17,285	-	17,285
Insurance	15,675	-	15,675
Utilities	33,614	-	33,614
Repairs & maintenance	41,723	-	41,723
Electronic access	9,442	-	9,442
Public relations and advertising	13,724	-	13,724
Cleaning and janitorial	19,913	-	19,913
Depreciation and amortization	-	239,540	239,540
Miscellaneous	(1,538)	-	(1,538)
Capital outlay	17,025	(17,025)	-
Debt service			
Principal	130,000	(130,000)	-
Interest and other charges	145,706	12,104	157,810
Total Expenditures/Expenses	<u>913,281</u>	<u>34,365</u>	<u>947,646</u>
Program Revenues			
Charges for services	4,067	-	4,067
Operating grants and contributions	2,688	-	2,688
Capital grants	100,000	-	100,000
Net Program Expense			<u>840,891</u>
General Revenues			
Library tax	1,077,093	-	1,077,093
Investment income	4,812	-	4,812
Gain on sale of building	65,000	(7,064)	57,936
Miscellaneous	6,055	-	6,055
Total General Revenues	<u>1,152,960</u>	<u>(7,064)</u>	<u>1,145,896</u>
Excess of Revenues Over (Under)	346,434	(346,434)	
Change in Net Position		305,005	305,005
Fund Balance/Net Position			
Beginning of year	1,321,685	914,033	2,235,718
End of year	<u>\$ 1,668,119</u>	<u>\$ 872,604</u>	<u>\$ 2,540,723</u>

The accompanying notes to the basic financial statements are an integral part of these financial statements.

Henry County Public Library
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
 Balance of Governmental Fund to the Statement of Activities
 For The Year Ended June 30, 2022

Reconciliation to the Statement of Activities:

Net Change in Fund Balance - Governmental Fund	\$	346,434
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Government Funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their useful lives and reported as depreciation expenses.

Capital Outlay (including capitalized library materials)		64,673
Depreciation Expense		(239,540)

Governmental Funds report retirement related expenses of \$42,364. However, the Statement of Net Position reports retirement expense calculated pursuant to GASB 68 and 75 of \$21,898.		20,466
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Receipt of funds on a note receivable are revenue in the governmental funds, but the payment reduces the note receivable in the Statement of Net Position		(7,064)
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Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		130,000
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Government Funds report expense as paid by the Organization; however, in the Statement of Activities, expenses are reported as due based on a 60-day accrual. Accordingly, the Statement of Activities recorded more expenses than the fund accounting due to accrued compensated absences and accrued interest expense.		(9,964)
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Change in Net Position of Governmental Activities	\$	<u>305,005</u>
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The accompanying notes to the basic financial statements are an integral part of these financial statements.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Henry County Public Library was formed by the Henry County Fiscal Court pursuant to K.R.S. 65.182 et. seq. and K.R.S. 173.450 et. seq. The public library district was created to provide all Henry County residents with access to public library services, and to establish, equip, maintain and administer a countywide public library system. A countywide tax shall be collected for the public library district in the manner described in K.R.S. 65.182 and other applicable law. The affairs of the public library district shall be operated by a Board of Trustees as set forth by K.R.S. 173.450.

Basis of Presentation

The financial statements of the Henry County Public Library District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Standards Board is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the library’s taxing district as a whole.

Fund Financial Statements – are organized into funds, each of which is considered separately. The library has only one such governmental fund that accounts for the daily operating activity of the library. A description of such fund is as follows:

- The General Fund is the primary and only operating fund of the library. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

Basis of Accounting

In the government-wide Statement of Net Position and the Statement of Activities, all activities are presented under the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Property taxes are recorded as revenue when collected and available to be remitted to the Library by county tax collection agencies. Expenditures are recognized when the related fund liability is incurred.

Cash and Cash Equivalents

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Budgeting

The Organization follows the procedures established pursuant to Section 91A.030 of the Kentucky Statutes in establishing the budgetary data reflected in the financial statements. Budgets for the general fund are adopted on a basis consistent with United States generally accepted accounting principles.

Receivables and Property Tax Revenues

In the government-wide statements, property tax revenues are recognized when they become available. Available property tax revenues include those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. All property and equipment purchases have been capitalized and recorded in the government-wide financial statements. Additionally, as all capital assets are directly utilized in the Library’s operating activities, an expense for capital outlays has been reported in the fund financial statements. The Library expenses all books and materials as purchased and does not capitalize such items.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation for the year ended June 30, 2022 was \$239,540.

Fund Balance

As of June 30, 2012, the Library implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Library. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2022, fund balances are comprised of the following:

Unspendable	6,358
Assigned- capital reserve	150,000
Assigned- emergency reserve	1,294,042
Unassigned	217,719

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Retirement Plan

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the benefits, and retirement expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions and OPEB. 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.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

The Library adopted GASB Statement No. 87, *Leases*, for the year ended June 30, 2022. This guidance changes how governments handle the accounting and disclose leases. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Library determined through a review of their leases that the impact of the standard was immaterial.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Library maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. The Library's cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name). The Library's categorization as of June 30, 2022 was as follows:

Category 1	\$	501,000
Category 2	\$	1,167,396
Category 3	\$	-

NOTE 4 – INVESTMENTS

Investments are carried at cost which approximates fair market value.

The Library's investment policy is governed by the State of Kentucky Statutes. These requirements authorize the Library to invest in obligations backed by the full faith and credit of the United States and obligations of any corporation of the United States government, obligations issued by Kentucky, its agencies and instrumentalities, and obligations issued by any state or local government and rated in one of the three highest categories by at least one rating agency. The policy requires that amounts on deposit with financial institutions be collateralized at a rate of 100% of amounts in excess of deposit insurance coverage. As of June 30, 2022, all investments are held in certificates of deposit.

Fair Value Measurements

FASB issued FASB ASC 820, *Fair Value Measurements and Disclosures* in order to establish a single definition of fair value and a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. FASB ASC 820 also expands disclosures about fair value measurements. FASB ASC 820 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured for fair value, but does not expand the use of fair value.

FASB ASC 820 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and liabilities. Level 2 assets and liabilities include certificates of deposit.

Level 3 – Assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 4 – INVESTMENTS (CONTINUED)

Fair value of assets and liabilities measured on a recurring basis at June 30, 2022 are as follows:

	<u>Fair value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 43,003	\$ -	\$ 43,003	\$ -
Total	<u>\$ 43,003</u>	<u>\$ -</u>	<u>\$ 43,003</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 5 – NOTE RECEIVABLE

During the year ended June 30, 2020 the Library agreed to sell their former building to Henry County School District on a five year note. The total sales price of \$340,000 is to be received in installments. For the year ended June 30, 2022 \$65,000 was received.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Land	\$ 121,985	\$ -	\$ -	\$ 121,985
Buildings	5,840,632	17,025	(211,155)	5,646,502
Vehicle	50,386	-	-	50,386
Library Collection	380,629	47,648	-	428,277
Furniture/Equipment	359,454	-	-	359,454
Total at historical cost	<u>6,753,086</u>	<u>64,673</u>	<u>(211,155)</u>	<u>6,606,604</u>
Less accumulated depreciation	<u>775,886</u>	<u>239,540</u>	<u>(174,203)</u>	<u>841,223</u>
Capital assets – net	<u>\$ 5,977,200</u>	<u>\$ (174,867)</u>	<u>\$ (36,952)</u>	<u>\$ 5,765,381</u>

NOTE 7 – COMPENSATED ABSENCES

It is the Library’s policy to compensate all employees for certain absences not used at the end of their employment. As of June 30, 2022, the liability for these absences was \$11,575 and has been included in the personnel expenses. Such liability is recorded in the government-wide financial statements.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 8 – BONDS PAYABLE

The Library issued \$4,540,000 of General Obligation Bonds, Series 2018, dated September 25, 2018, variable rate ranging from 3% to 3.625%. The bonds are payable in annual installments of \$125,000 to \$210,000 and have a maturity date of December 1, 2048.

The maturities of bonds payable of \$4,245,000 are summarized as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 135,000	\$ 141,709	\$ 276,709
2024	140,000	137,584	277,584
2025	145,000	133,309	278,309
2026	150,000	128,884	278,884
2027	150,000	124,384	274,384
2028 - 2032	825,000	549,438	1,374,438
2033 - 2037	985,000	398,694	1,383,694
2038 - 2042	625,000	255,494	880,494
2043 - 2047	750,000	131,406	881,406
2048 - 2049	340,000	12,506	352,506
Total	<u>\$ 4,245,000</u>	<u>\$ 2,013,408</u>	<u>\$ 6,258,408</u>

NOTE 9 – LONG-TERM LIABILITIES

The Library has long-term liabilities related to the aforementioned compensated absences, bonds payable, and their involvement in the Kentucky County Employee Retirement System (CERS). The following is a summary of the long-term debt as of June 30, 2022:

	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>	<u>Bonds Payable</u>
Payable at June 30, 2021	\$ 13,715	\$ 607,764	\$ 191,265	\$ 4,375,000
Increase in liability	-	-	-	-
(Decrease) in liability	(2,140)	(185,815)	(64,605)	(130,000)
Payable at June 30, 2022	<u>\$ 11,575</u>	<u>\$ 421,949</u>	<u>\$ 126,660</u>	<u>\$ 4,245,000</u>

NOTE 10 – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2022 were levied on October 1, 2021 on the assessed property located in Henry County as of the preceding January 1. The assessments are determined by the County Property Valuation Administrator in accordance with Kentucky Revised Statutes. The due date collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Date Per K.R.S. 134.020</u>
1. Due date for payment	Upon receipt
2. 2% discount applies	To November 30
3. Face value payment period	To December 31
4. Past due date, 5% penalty	January 1
5. Interest charge	16% effective January 1

Vehicle taxes are collected by the County Clerk of Henry County and are due and collected in the birth month of the vehicle's licensee.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN

The Library’s employees are provided with the County Employees Retirement System.

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or at least 4 years of service and 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

All current employees participating in County Employees Retirement Systems (CERS) are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN (CONTINUED)

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

At June 30, 2022, the Library reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the Library as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net pension liability	\$	421,949
Commonwealth's proportionate share of the CERS net pension liability associated with the Library		6,375,362,439
		6,375,362,439
	\$	6,375,784,388

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Library's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the Library's proportion was 0.006618%.

For the year ended June 30, 2022, the Library recognized pension expense of \$9,941 related to CERS. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 4,845	\$ 4,095
Changes of assumptions	5,663	-
Difference between projected and actual earnings	16,369	72,604
Changes in proportionate share and differences between contributions and proportionate share of contributions	-	68,554
Contributions made subsequent to the measurement date	33,504	-
	\$ 60,381	\$ 145,253

The \$33,504 reported as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	Increase (decrease) in pension expense
2023	\$ (42,536)
2024	(43,530)
2025	(14,697)
2026	(17,613)
Total	\$ (118,376)

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of plan investment expense, including inflation

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

Discount rate—The projection of cash flows used to determine the discount rate of 6.25% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the Library’s proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the Library, calculated using the discount rates selected by each pension system, as well as what the Library’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Library’s proportionate share of net pension liability
1% decrease	5.25%	\$ 541,170
Current discount rate	6.25%	\$ 421,949
1% increase	7.25%	\$ 323,297

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN (CONTINUED)

Other Post-Employment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Library reported a liability for its proportionate share of the OPEB liability for CERS. The amount recognized by the Library as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the Library were as follows:

Library's proportionate share of the CERS net OPEB liability	\$	126,660
Commonwealth's proportionate share of the CERS net OPEB liability associated with the Library		1,914,323,307
		1,914,449,967
	\$	1,914,449,967

The net OPEB liability for each plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Library's proportion of the net OPEB liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the Library's proportion was 0.006616%.

For the year ended June 30, 2022, the Library recognized OPEB expense of \$11,957 related to CERS. At June 30, 2022, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual experience	\$ 19,918	\$ 37,817
Changes of assumptions	33,581	118
Difference between projected and actual earnings	6,382	26,196
Changes in proportionate share and differences between contributions and proportionate share of contributions	6,443	26,537
Contributions made subsequent to the measurement date	9,148	-
	\$ 75,472	\$ 90,668

The \$9,148 reported as deferred outflows of resources related to OPEBs resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	Increase (decrease) in OPEB expense
2023	\$ (1,229)
2024	(4,234)
2025	(6,452)
2026	(12,419)
Total	\$ (24,334)

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN (CONTINUED)

Actuarial assumptions—The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varying by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare Cost Trend Rate	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

For CERS, the mortality table used for active members is Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, project with the ultimate rates from the MP-2014 mortality improvements scale using a base year of 2010. The mortality table used for health retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was Pub-2010 Disabled Mortality table, with a 4-year-set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.75%	5.70%
International Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	-0.60%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	<u>4.55%</u>
Total	100.00%	7.30%

Discount rate— Single discount rates of 5.20% for the CERS non-hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan’s actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Henry County Public Library
Notes to Financial Statements
June 30, 2022

NOTE 11 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the Library’s proportionate share of net OPEB liability to changes in the discount rate—The following table presents the net OPEB liability of the Library, calculated using the discount rates selected by each OPEB system, as well as what the Library’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Discount rate	Library’s proportionate share of net OPEB liability
1% decrease	4.20%	\$ 173,903
Current discount rate	5.20%	\$ 126,660
1% increase	6.20%	\$ 87,889

Sensitivity of the Library’s proportionate share of net OPEB liability to changes in the healthcare cost trend rate—The following table presents the net OPEB liability of the Library, calculated using the current healthcare cost trend rate selected by each OPEB system, as well as what the Library’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Library’s proportionate share of net OPEB liability
1% decrease	\$ 91,180
Current healthcare cost trend rate	\$ 126,660
1% increase	\$ 169,485

OPEB plan fiduciary net position—Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of CERS. The reports are available on the Kentucky Retirement Systems website.

NOTE 12 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the library also carries commercial insurance for all other risks of loss such as worker’s compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 13 – SUBSEQUENT EVENTS

Management of the Organization has considered subsequent events through January 10, 2023, the date this report became available for issuance.

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

To the Board of Trustees
Henry County Public Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Henry County Public Library, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Henry County Public Library's basic financial statements, and have issued our report thereon dated January 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry County Public Library's internal control over financial reporting (internal control) as a basis for designing 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 Henry County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

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

Craft, Waninger, Noble & Company, PLLC

Craft, Waninger, Noble & Company, PLLC
Richmond, Kentucky
January 10, 2023

Henry County Public Library
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues				
Taxing district revenues	\$ 1,003,695	\$ 1,003,695	\$ 1,077,093	\$ 73,398
Grant revenues	107,800	107,800	102,688	(5,112)
Investment income	3,500	3,500	4,812	1,312
Charges for services	1,500	1,500	4,067	2,567
Other revenues	74,000	74,000	71,055	(2,945)
Total Revenue	<u>1,190,495</u>	<u>1,190,495</u>	<u>1,259,715</u>	<u>69,220</u>
Expenditures				
Personnel expenses	454,208	454,208	395,372	58,836
Library materials	74,500	74,500	47,648	26,852
Bookmobile	5,950	5,950	1,736	4,214
Continuing education	2,700	2,700	4,578	(1,878)
Processing & program supplies	19,500	19,500	15,470	4,030
Office supplies	9,200	9,200	5,233	3,967
Postage	900	900	675	225
Professional fees	15,200	15,200	17,285	(2,085)
Insurance	17,220	17,220	15,675	1,545
Utilities	42,050	42,050	33,614	8,436
Repairs & maintenance	18,000	18,000	41,723	(23,723)
Electronic access	62,200	62,200	9,442	52,758
Public relations & advertising	12,500	12,500	13,724	(1,224)
Cleaning & janitorial	21,500	21,500	19,913	1,587
Miscellaneous	-	-	(1,538)	1,538
Debt service	275,684	275,684	275,706	(22)
Total Operating Expenditures	<u>1,031,312</u>	<u>1,031,312</u>	<u>896,256</u>	<u>135,056</u>
Operating capital outlays	145,009	145,009	17,025	127,984
Total Expenditures	<u>1,176,321</u>	<u>1,176,321</u>	<u>913,281</u>	<u>263,040</u>
Net change in fund balance	14,174	14,174	346,434	
Fund Balance, Beginning of year	<u>1,321,685</u>	<u>1,321,685</u>	<u>1,321,685</u>	
Fund Balance, End of year	<u>\$ 1,335,859</u>	<u>\$ 1,335,859</u>	<u>\$ 1,668,119</u>	

See Independent Auditor's Report.

Henry County Public Library
Schedule of Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.006618%	0.007924%	0.008238%	0.008468%	0.007372%	0.009105%	0.009303%	0.008906%
Proportionate share of the net pension liability	\$ 421,949	\$ 607,764	\$ 579,382	\$ 515,727	\$ 431,506	\$ 448,313	\$ 399,967	\$ 288,939
Covered employee payroll	\$ 158,262	\$ 202,962	\$ 207,794	\$ 209,880	\$ 179,482	\$ 217,209	\$ 217,041	\$ 217,506
Share of the net pension liability as a percentage of its covered employee payroll	266.61%	299.45%	278.83%	245.72%	240.42%	206.40%	184.28%	132.84%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.34%	53.32%	55.50%	59.97%	66.80%

*Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

Henry County Public Library
Schedule of Pension Contributions
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required employer contribution	\$ 33,504	\$ 32,623	\$ 39,171	\$ 33,704	\$ 30,391	\$ 25,038	\$ 26,977	\$ 27,673	\$ 26,821
Contributions relative to contractually required employer contribution	<u>\$ 33,504</u>	<u>\$ 32,623</u>	<u>\$ 39,171</u>	<u>\$ 33,704</u>	<u>\$ 30,391</u>	<u>\$ 25,038</u>	<u>\$ 26,977</u>	<u>\$ 27,673</u>	<u>\$ 26,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 158,262	\$ 169,032	\$ 202,962	\$ 207,794	\$ 209,880	\$ 179,482	\$ 217,209	\$ 217,041	\$ 217,506
Employer contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	12.33%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

See Independent Auditor's Report.

Henry County Public Library
 Schedule of Changes in Benefits and Assumptions- Pension
 For the Year Ended June 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final pay rate to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 10% of the member’s final pay to 50% of the average pay for one child, 65% of the average pay for two children, or 75% of the average pay for three children.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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 rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

2015

- 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 one year for females). For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback four year 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.
- Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions – The actuarially determined contributions rates are determined on an annual basis beginning with the fiscal years ended 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2014 to a closed 28-year period. The following actuarial methods and assumptions were used to determine contribution rates reports in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	25 years
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	3.30%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

See Independent Auditor’s Report.

Henry County Public Library
Schedule of Proportionate Share of the Net OPEB Liability
For the Years Ended June 30, 2022, 2021, 2020, 2019, and 2018

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.006616%	0.079210%	0.008236%	0.008468%	0.007372%
Proportionate share of the net OPEB liability	\$ 126,660	\$ 191,268	\$ 138,526	\$ 150,348	\$ 148,202
Covered employee payroll	\$ 158,262	\$ 202,962	\$ 207,794	\$ 209,880	\$ 179,482
Share of the net OPEB liability as a percentage of its covered employee payroll	80.03%	94.24%	66.67%	71.64%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%

Notes: *Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.
See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.
The amounts presented for each fiscal year were determined (measured) as of the previous fiscal year.*

See Independent Auditor's Report.

Henry County Public Library
Schedule of OPEB Contributions
For the Years Ended June 30, 2022, 2021, 2020, 2019, 2018, and 2017

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required employer contribution	\$ 9,148	\$ 8,046	\$ 9,661	\$ 10,930	\$ 9,864	\$ 9,354
Contributions relative to contractually required employer contribution	<u>\$ 9,148</u>	<u>\$ 8,046</u>	<u>\$ 9,661</u>	<u>\$ 10,930</u>	<u>\$ 9,864</u>	<u>\$ 9,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Company's covered employee payroll	\$ 158,262	\$ 169,032	\$ 202,962	\$ 207,794	\$ 209,880	\$ 179,482
Employer contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%	5.21%

Notes:

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

See the following Schedule of Changes in Benefits and Assumptions for any changes during the periods shown above.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the pension fund of CERS.

The above contributions only include those contributions allocated directly to the CERS insurance fund.

Henry County Public Library
 Schedule of Changes in Benefits and Assumptions- OPEB
 For the Year Ended June 30, 2022

County Employee Retirement System

Changes of benefit terms – The following changes were adopted during the 2018 legislative session.

- The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.

Changes in assumptions – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30, listed below:

2021

- The single discount rate was decreased from 5.34% to 5.20%

2020

- The single discount rate was decreased from 5.68% to 5.34%

2019

- Updated the mortality tables from RP-2000 to Pub-2010
- The single discount rate was decreased from 5.84% to 5.68%
- The salary increase assumption was increased from an average of 3.05% to a range of 3.30% to 10.30%.

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 rate of wage inflation decreased by 0.95%
- The payroll growth assumption was reduced from 4.00% to 2.00%

Method and assumptions used in calculations of actuarially determined contributions – The following actuarial methods and assumptions were used to determine contribution effective for fiscal year ending June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Level of percentage of payroll
Remaining amortization period	30 years
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%
Payroll growth rate	2.00%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.25% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.50% at January 1, 2021, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

See Independent Auditor’s Report.