

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2006

*HENDERSON DISTRICT PUBLIC LIBRARIES
HENDERSON, NEVADA*



HENDERSON DISTRICT PUBLIC LIBRARIES, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006



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HENDERSON DISTRICT PUBLIC LIBRARIES, NEVADA
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FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION





Henderson District Public Libraries

October 12, 2006

To the Board of Trustees and the Citizens of the Henderson District Public Libraries:

We are pleased to present Henderson District Public Libraries' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This report contains the financial statements and other financial information and statistical data that provide complete and full disclosure of all material aspects of the Henderson District Public Libraries (HDPL). The financial statements in this CAFR conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. We believe the information as presented is accurate in all material respects, and presents fairly the financial position and results of operations of the governmental funds of HDPL. This belief is based upon a comprehensive framework of internal controls that has been established for this purpose.. We believe that all disclosures necessary to enable the reader to gain an understanding of HDPL's fiscal accountability have been included. The responsibility for the accuracy and completeness of the data presented and the fairness of the presentation rests with the management of HDPL.

The Comprehensive Annual Financial Report consists of three parts:

- The Introductory Section, which is unaudited, includes information about HDPL and highlights describing economic conditions and outlook, major initiatives and financial management.
- The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis, basic financial statements and related footnotes, combining and individual statements for major and nonmajor funds and other schedules that provide detailed information relative to the basic financial statements, as well as the independent auditor's report on the financial statements.
- The Statistical Section presents unaudited social and economic data and financial trend information.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. HDPL's MD&A can be found immediately following the report of the independent auditors.

Nevada Revised Statute 354.624 requires an annual audit by independent certified public accountants. The accounting firm of Kafoury, Armstrong & Co. was selected to perform the fiscal year 2006 audit and has issued an unqualified ("clean") opinion on the Henderson District Public Libraries' financial statements for the year ended June 30, 2006. The independent auditor's report is located in the front of the financial section of this report.

Profile of Henderson District Public Libraries

Mission

Henderson District Public Libraries seeks to cultivate a literate community by providing every citizen free access to all books and information resources as well as state of the art technology that supports work, school and recreational activities.

Background

HDPL's history begins in 1943 when a petition was formed to create the Henderson School Public Library. The petition was approved by the Board of County Commissioners, Clark County, Nevada on January 22, 1944, with a rate of ten cents for ad valorem taxes per annum fixed for the expenses. After residing in a small storage building located on Atlantic Avenue for three years, the first real library opened on August 1, 1946, at 55 Water Street in downtown Henderson.

In an attempt to overhaul educational laws, the Henderson School Public Library became a county library district in 1956 during a special session of the Nevada Legislature. At that time, statutes providing for public libraries based on school district boundaries were replaced and county library districts were automatically established with identical boundaries.

Library district boundaries were reestablished in 1985 prior to a bond election for the Las Vegas-Clark County Library District. HDPL boundaries are not contiguous with the City of Henderson boundaries, encompassing county property to the south, east and center and excluding parts of Green Valley. Due to passage of AB44 in 2001, the area commonly known as Anthem was added to HDPL's boundaries during fiscal year 2002. In 2005, the boundaries were again reestablished, making the library district boundaries contiguous with the City of Henderson boundaries.

The library at 55 Water Street outgrew its facility and, in March 1989, the James I. Gibson Library opened at 280 South Water Street, adjacent to the City of Henderson government offices. This library was built with funds authorized from a statewide bond issue. It was remodeled and expanded in 1997 to encompass 16,850 square feet and today offers over 132,000 volumes.

The Pittman Library, is located off Boulder Highway in Wells Park. This library opened in 1988 when the Pittman Women's Club deeded its 1,200 square foot building to the City of Henderson, which in turn leased it to the Library District. In 1996 the old building was replaced with the current facility, the Artie Cannon Building. The Library shares this building with the Boys and Girls Club and the Henderson Parks and Recreation Department in a cooperative relationship that supports special programs for children and youth. The current Pittman Library has a collection of over 6,000 items selected primarily to serve children.

In August 1995, to cope with the tremendous population growth of over 19% per year, HDPL leased a storefront library in Green Valley named Lydia Malcolm Library, in honor of the longest serving library director. In February 2005, this library was relocated and expanded to better serve our constituents. The 6,030 square foot building, to which the library was relocated, was purchased in January 2005 with a \$1.74 million general obligation note. This library emphasizes popular books and now offers almost 30,000 volumes.

The Paseo Verde Library opened in August 2002. The 43,313 square foot library was built with funds saved over a six-year period and a \$1.5 million general obligation bond. This library is equipped with all the latest technological advancements and offers a collection of over 162,000 volumes.

Reporting Entity

HDPL was established and operates as an independent governmental unit under authority of Nevada Revised Statutes 379. Prior to January 2001, HDPL was governed by a five-member Board of Trustees appointed to four-year terms by the Board of County Commissioners of Clark County, Nevada. In January 2001, the City of Henderson Council appointed two additional members to three-year terms as authorized by a new interlocal agreement per NRS 379.022 subsection 6. The Board of Trustees is responsible for establishing policy and for the overall operations of HDPL maintained within the District's boundaries. HDPL currently operates four libraries – the James I. Gibson Public Library, the Lydia Malcolm Library, the Pittman Library and the Paseo Verde Library, which is the district headquarters.

HDPL is not considered a component unit of any other governmental unit under criteria established by Governmental Accounting Standards Board Statement No. 14, *"The Financial Reporting Entity."*

Budget

HDPL is required to adopt a final budget on or before June 1st of each year. This annual budget serves as the foundation for HDPL's financial planning and control. The budget is prepared by fund and function but management is authorized to transfer resources between functions or funds if the amounts do not exceed total appropriations for the year and the Board of Trustees is notified at the next regular meeting.

Collection and Services

HDPL purchased and processed over 45,000 items worth \$916,397 in fiscal year 2006. In addition to purchased materials, HDPL continued to receive and process a large number of donated materials, including books, videos, music CD's and DVD's. The total cost of donations, if purchased, exceeded \$94,000. These donations were distributed to all of the HDPL libraries. These donations allowed HDPL to place an additional 4,184 items into the collection.

HDPL's total collection of over 333,000 volumes in books, recordings, documents, maps, videotapes, CDs, DVDs, CD-ROMs, audio books, and e-books is available to patrons in all four HDPL branches. HDPL makes an effort to collect the most current media available for the broadest scope of public access. The board has allocated an average of over 16 percent of the annual operating budget for collection development over the last five years.

HDPL's usage continues to increase. Circulation increased from 908,027 in fiscal year 2005 to 955,535 in fiscal year 2006. As well as serving HDPL's own citizens, HDPL lends almost 8,000 items each month to patrons of other area libraries through the countywide policy of open reciprocal borrowing and library use for all patrons.

HDPL is dedicated to interlibrary cooperation and resource sharing for the benefit of all residents of Clark County and the State of Nevada. HDPL maintains memberships in nationwide resource sharing groups that deliver materials to users across the country.

Technology

In fiscal year 2006, the Information Technology Department (IT), working closely with Finance and Public Service staff, completed the implementation of a point-of-sale software solution, giving HDPL an enterprise cash management system with the ability to accept credit card payments. This system is integrated with HDPL's library management software, allowing for better tracking of fines and fee payments. In addition, an automated debt collection service was implemented to help HDPL recover long overdue items or the replacement cost with minimal staff interaction. A web based reporting system was developed to provide staff with much needed analysis of critical business processes. Also an application was developed that allows HDPL to send overdue and hold notices on inexpensive postcards. This solution has cut the cost of notice generation in half.

Following efforts to provide the public and staff with the latest technology, fifty-six public and staff computer workstations were replaced and five new computer workstations were deployed. Three new servers were installed as well.

Community Involvement

HDPL has successfully brought numerous activities into the libraries as well as out into the community. The District continues to be the host and promoter of literary experiences with programming such as the Carr Chat Author Series, which features major best selling authors in all genres for all ages. The Carr Chat series has grown dramatically and now branches out into the community with off site chats and partnerships. HDPL continues the art exhibits by established and award winning artists as well as the accompanying meet and greet receptions featuring the exhibitors and continues to provide community programming such as candidates' forums, voter registration, early voting, and city planning forums. In addition, HDPL sponsors the Leadership Henderson program with the Henderson Chamber of Commerce. Other programs for adults include genealogy workshops in partnership with the Clark County Nevada Genealogical Society and regular computer classes held at the Gibson and Paseo Verde Libraries, monthly foreign films, and monthly used book sales.

HDPL has fostered partnerships with many groups to provide vital community services. Partners include City of Henderson, Henderson Chamber of Commerce, League of Women Voters, Henderson Arts Association, Clark County Heritage Museum, St. Rose Dominican Hospital, Clark County School District, Clark County Nevada Genealogical Society, Las Vegas PC Users Club, Boys and Girls Club, the State's Talking Books program, Henderson Allied Community Advocates and many, many more.

Major Initiatives

- HDPL initiated self-service pickup for reserved items. This allows the patron to pick up reserved items from a special section without having to wait for staff assistance. This reduces the amount of time patrons need to wait in line, frees up staff time, and prepares patrons for self-checkout, which is the next phase.
- HDPL purchased and implemented a point-of-sale system that integrates with the library's patron records. This system allows for streamlined payment processing, stronger internal controls, and provided the District with a means to accept credit card payments.
- A new designation for high demand books was created, Claim Jumpers. These books are available for check-out on a first come, first served basis and are not able to be reserved. This designation encourages patrons to come to the library to browse and has been highly received by patrons.

- HDPL's first bookmobile began operations during the end of this fiscal year. Regularly scheduled stops include city recreation centers, schools, parks, and senior centers.
- Small deposit collections were established at five senior centers throughout town. These collections were funded through a Library Sciences and Technology Act (LSTA) grant and allows seniors the opportunity to check out these books without physically coming into a library. These deposit collections are rotated occasionally to keep the collections fresh.
- In an attempt to increase fiscal responsibility for library materials, HDPL began reporting patrons with long outstanding fines and materials to a materials recovery company. This company gives these patrons the opportunity to clear up their accounts and reinstate a good standing with the library. If they do not, they may be credit reported.
- HDPL presented the Aspiring Young Authors Conference this year. This day long event was aimed at grades 4-6 and was designed to encourage children to write. Eighty children attended this event and participated in presentations by authors and editors that taught children how to create ideas, how to embellish and improve writing skills, how to publish written works, etc.
- The Youth Services Department began focusing on ages 0-6 to promote literacy readiness. Programs included story time for babies and parenting classes based on the PLA Every Child Ready to Read model. The United Way of Southern Nevada, Success by 6 has been instrumental in the implementation of these programs.

The Future

HDPL is working closely with the City of Henderson to provide library services to all areas of the City and to newly annexed areas as they are developed. With the Board's approval of the Strategic Priorities and Annual Focus Plan, the District is currently in the process of meeting its commitments as detailed in these documents. As Henderson's population continues to increase, HDPL is making a strategic shift from large fixed buildings to a warehouse/outlet model. This shift in approach will allow HDPL to be more flexible in providing library services closer to our resident populations. The first phase of this strategic shift is evident with the new bookmobile (MEL) that is currently scheduled for nine stops. The bookmobile allows HDPL to take the library into the community and offer a wide array of services. HDPL has implemented Self Pickup of Requested material and will also implement patron Self Check services during the remainder of FY06 and early FY07.

Economic Growth

Local Economy

Southern Nevada's commitment to diversification in the business sector, continuing employment growth and a favorable tax base has made it ideal for relocation and business expansion. Nevada does not impose corporate or personal income taxes, nor inventory, special intangible, inheritance, or gift taxes.

Henderson's growth rate is testimony to the desirability of living within the City of Henderson. According to the U.S. Census Bureau, the City of Henderson is the third fastest growing incorporated place of 100,000 or more, with a population increase of 3,067% in the past 50 years. As a result, there are fewer older neighborhoods than in most other major cities, and the popular concept of master planned communities has become more desirable in residential planning. Henderson is known throughout the nation for these premier master planned communities, as well as its outstanding parks and recreational centers, cultural activities and a rapidly growing business community. The median household income in Henderson continues to outpace the county and state averages.

Long-term Financial Planning

In January 2009, HDPL will take possession of the Green Valley Library. The Green Valley Library is located in Henderson but is currently operated by the Las Vegas-Clark County Library District. HDPL is anticipating remodeling expenditures between \$500,000 to \$1 million, opening day collection costs of approximately \$2 million, and annual operating expenditures of approximately \$1.25 million to staff, operate, and maintain this facility. HDPL currently has set aside over \$285,000 for the remodeling costs with the remaining balance being paid for with savings generated over the next three years. Purchasing for the opening day collection has already begun. HDPL anticipates purchasing approximately \$1 million of the opening day collection with existing resources. Additional funding sources are being explored for the remaining funds.

Awards and Acknowledgements

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to HDPL for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the sixth consecutive year that HDPL has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The report preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire management staff, Finance Department staff and the staff of the independent auditors for HDPL, Kafoury, Armstrong & Co.

Thank you, the Board of Trustees, for your continued interest and support in planning and conducting the financial operations of the Henderson District Public Libraries in a responsible and progressive manner.

Cordially,



Thomas F. Fay
Executive Director



Debra M. Englund
Chief Financial Officer

HENDERSON DISTRICT PUBLIC LIBRARIES

Library Officials

Board of Trustees

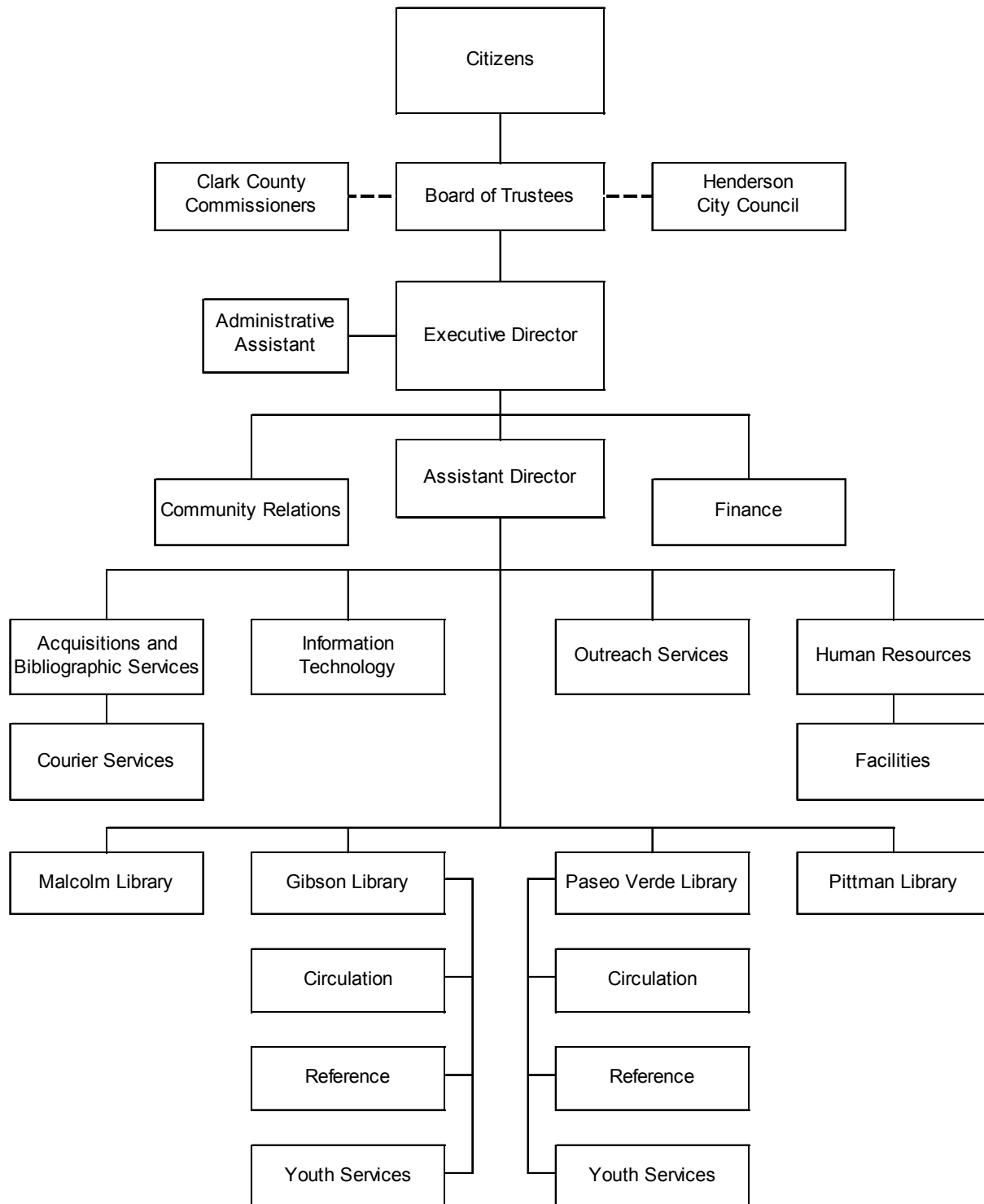
Colleen Bell	Chairman
Herb Hunter	Vice-Chairman
John Simmons	Secretary
Robyn Carr	Trustee
Richard Derrick	Trustee
Todd Hauge	Trustee
Jacob Snow	Trustee

Administrative Staff

Thomas Fay	Executive Director
Gayle Hornaday	Assistant Director
Debra M. Englund	Finance
Sean Hill	Information Technology
Michelle Mazzanti	Acquisitions & Bibliographic Services
Kristy Price	Community Relations

HENDERSON DISTRICT PUBLIC LIBRARIES

Organizational Chart As of June 30, 2006



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Henderson
District Public Libraries,
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of Henderson District Public Libraries
Henderson, Nevada

We have audited the financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of Henderson District Public Libraries (HDPL) as of and for the year ended June 30, 2006, which collectively comprise HDPL's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Henderson District Public Libraries. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and the aggregate remaining fund information for Henderson District Public Libraries as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Contributions and Grants Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henderson District Public Libraries basic financial statements. The accompanying combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kafoury, Armstrong & Co.

Reno, Nevada
October 12, 2006

HENDERSON DISTRICT PUBLIC LIBRARIES MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Henderson District Public Libraries' discussion and analysis is designed to, (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activities, (c) identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to read this information in conjunction with the transmittal letter, financial statements and notes to gain a more complete picture of the information presented.

Financial Highlights

- The assets of HDPL exceeded its liabilities at June 30, 2006 by \$9,968,894 (net assets). Of this amount, \$1,394,646 (unrestricted net assets) may be used to meet HDPL's ongoing obligations to patrons and creditors.
- HDPL's total net assets increased by \$963,741. See the section on Government-Wide Financial Analysis for details.
- At the end of fiscal year 2006, HDPL's governmental funds had fund balances of \$1,873,062, an increase of \$671,549 from the previous year. This increase is due to revenue increases due to growth and was offset by expenditures related to additional staffing, library materials, and programs. Approximately 98.9% of ending fund balances, or \$1,852,117, is available for spending at HDPL's discretion (unreserved fund balance).
- As of June 30, 2006 unreserved fund balance in the General Fund was \$1,396,830 or 23.8% of General Fund expenditures.

Overview of the Financial Statements

HDPL's basic financial statements are comprised of government-wide financial statements, fund financial statements and notes to the financial statements.

Government-Wide Financial Statements

The Statement of Net Assets combines and consolidates all of HDPL's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting. The end result is net assets that are segregated into two components: invested in capital assets, net of related debt and unrestricted net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of HDPL is improving or deteriorating.

The Statement of Activities presents information showing how HDPL's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Fund Financial Statements

A fund is a self-balancing set of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HDPL uses fund accounting to demonstrate legal compliance and to aid in financial management. HDPL uses only the governmental fund category.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting, which focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

HDPL maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, the Contributions and Grants Fund, and the Capital Construction Fund, all of which are considered major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements and schedules elsewhere in the report.

HDPL adopts an annual appropriated budget for all its governmental funds. A budgetary comparison for HDPL's General Fund has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements complement the financial statements by describing qualifying factors and changes throughout the fiscal year. The notes can be found on pages 11-25 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of HDPL, assets exceed liabilities by \$9,968,894 at June 30, 2006.

**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

HDPL's Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets:		
Current and other assets	\$ 2,540,912	\$ 1,440,929
Capital assets	<u>10,675,748</u>	<u>10,598,745</u>
Total assets	<u>13,216,660</u>	<u>12,039,674</u>
Liabilities:		
Current liabilities	665,908	237,020
Long-term liabilities	<u>2,581,858</u>	<u>2,797,501</u>
Total liabilities	<u>3,247,766</u>	<u>3,034,521</u>
Net assets:		
Invested in capital assets, net of related debt	8,574,248	8,220,245
Unrestricted	<u>1,394,646</u>	<u>784,908</u>
Total net assets	<u>\$ 9,968,894</u>	<u>\$ 9,005,153</u>

The largest portion of HDPL's net assets (86.0%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. Capital assets consist of land, buildings, equipment, computer equipment, furniture, leasehold improvements, vehicles and books. These assets are used to provide services to the patrons of HDPL and are not available for future spending.

The remaining portion of HDPL's net assets (14.0%) reflects unrestricted net assets that may be used to meet HDPL's ongoing obligations to patrons and creditors.

As of June 30, 2006, HDPL is able to report positive balances in both categories of net assets. The same held true for the previous fiscal year.

There was an increase of \$354,003 in net assets invested in capital assets net of related debt. This increase was primarily due to the management's commitment to increase HDPL's book inventory. See discussion on Capital Assets below for further explanations.

**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

HDPL's Changes in Net Assets

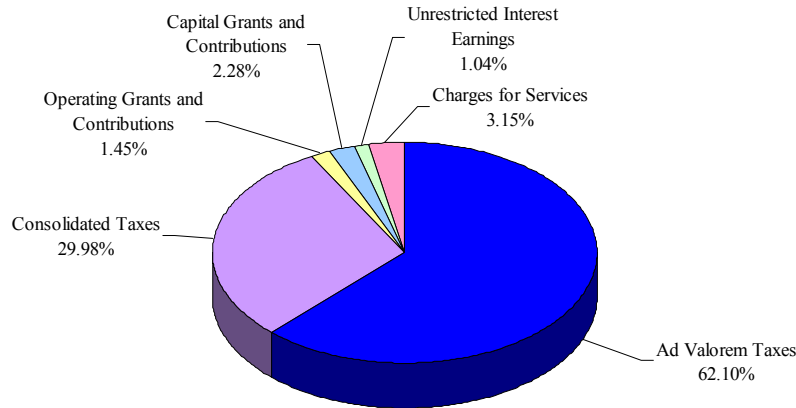
	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program Revenues		
Charges for services	\$ 236,238	\$ 198,628
Operating grants and contributions	108,809	96,118
Capital grants and contributions	171,110	137,017
General Revenues		
Ad valorem taxes	4,655,583	3,771,189
Consolidated taxes	2,247,532	1,894,157
Unrestricted investment earnings	77,819	36,740
Total revenues	<u>7,497,091</u>	<u>6,133,849</u>
Expenses:		
Culture and recreation	6,453,879	5,655,168
Interest	79,471	62,632
Total expenses	<u>6,533,350</u>	<u>5,717,800</u>
Increase/(Decrease) in net assets	963,741	416,049
Net assets, beginning of year	9,005,153	8,589,104
Net assets, end of year	<u>\$ 9,968,894</u>	<u>\$ 9,005,153</u>

HDPL's net assets increased by \$963,741 during the current fiscal year. Key elements of this increase are as follows:

- Ad valorem taxes increased by \$884,394, or 23.5%, due to a realignment of taxing districts with the Las Vegas-Clark County Library District (LV-CCLD) (see discussion on General Fund) and due to growth in assessed value.
- Consolidated taxes increased by \$353,375, or 18.7%, due in large part to strong increases in sales tax revenue.
- Interest income increased by \$41,079, or 111.8%, due to higher investment balances.
- Capital grants and contributions increase by \$34,093, or 24.9%, due in large part to a State of Nevada collection development grant awarded to HDPL for this fiscal year.
- Culture and recreation expenses increased by \$798,711, or 14.1%, over the last fiscal year. A large portion of this increase, \$423,507, is due to the above mentioned boundary realignment with LV-CCLD (see discussion on General Fund). The remaining portion of this increase, \$375,204, is due to increased staffing costs and utilities.
- Interest on long-term debt increased by \$16,839, or 26.9%, due to a full year of payments on the note issued during fiscal year 2004/2005.

HENDERSON DISTRICT PUBLIC LIBRARIES MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Revenues by Source - Governmental Activities



Fund Financial Analysis

As of the end of the current fiscal year, HDPL's governmental funds reported combined ending fund balances of \$1,873,062, an increase of \$671,549 from fiscal year 2005. Of the 2006 ending fund balances, \$1,852,117, or 98.9%, constitutes unreserved fund balance and is available for spending at HDPL's discretion. The remainder of fund balances is reserved for prepaid expenditures.

General Fund

The General Fund is the chief operating fund of HDPL. At the end of fiscal year 2006, the General Fund had an ending fund balance of \$1,410,064, of which \$1,396,830 was unreserved.

The General Fund's fund balance increased by \$452,871 during the current fiscal year. Key factors for this increase are as follows:

- Ad valorem taxes increased by \$884,394, or 23.5%. Approximately half of this increase, \$423,507, is due to a joint resolution with the LV-CCLD that adjusted HDPL's boundaries to be coterminous with the City of Henderson's boundaries and transferred ownership of the Green Valley Library to HDPL. The remaining increase, \$460,887, is due to growth in assessed value.
- Consolidated taxes increased by \$353,375 due to strong increases in sales tax revenue due in large part to a robust construction sector and to growth.
- Investment income increased by \$26,969 due to higher investment balances.
- These increases were offset by a total increase of \$904,865 in general fund expenditures. A large portion of this increase, \$423,507, is due to the above mentioned joint resolution with LV-CCLD. As consideration for LV-CCLD's continued operation of the Green Valley Library, HDPL agreed to pay the ad valorem taxes collected from the transferred taxing districts back to LV-CCLD until January 2009. This payment was recorded as contract payments due LV-CCLD. The remaining portion of this increase, \$481,358, is due to increased operating expenditures associated with staffing, postage, facility maintenance, and library materials.

HENDERSON DISTRICT PUBLIC LIBRARIES MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

- These increases were also offset by an increase in the transfer to the Debt Service Fund of \$127,539 due to the additional interest and principal payments associated with the note issued during fiscal year 2004/2005.

Contributions and Grants Fund

The Contributions and Grants Fund has a fund balance of \$93,417 at the end of fiscal year 2006. The increase of \$64,268 over the previous fiscal year is due to fund raising efforts made throughout the fiscal year. Proceeds from these efforts will be used to fund HDPL's outreach programs.

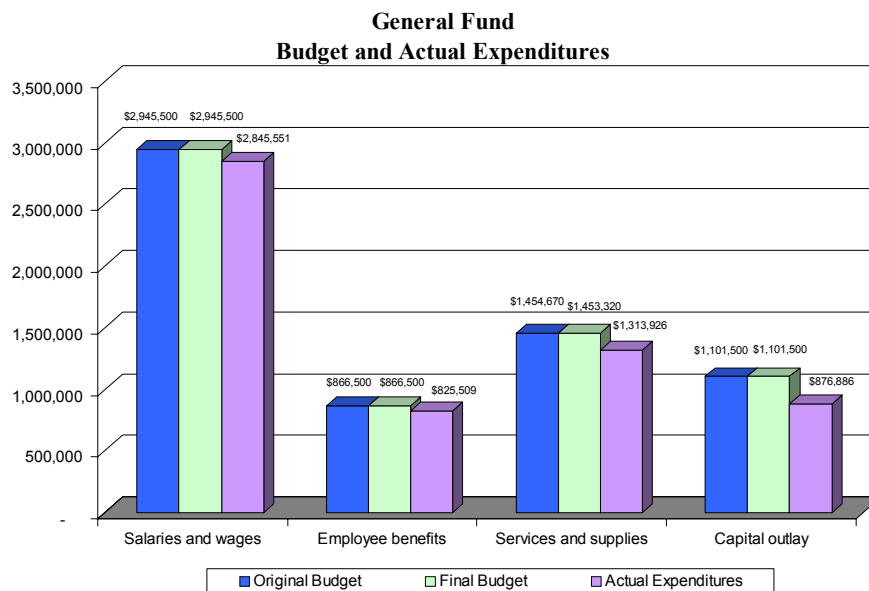
Capital Construction Fund

The Capital Construction Fund has a fund balance of \$285,478 at the end of fiscal year 2006. This increase of \$148,755 over the previous fiscal year is due to the management's commitment to save for future construction and remodeling projects.

General Fund Budgetary Highlights

The original fiscal year 2006 budget was approved May 19, 2005. State regulations require budget controls to be exercised at the function level. Although function-level control is what is required, HDPL management exercises control at the object level.

Pursuant to NRS.354.598005, HDPL may transfer appropriations between funds, if such a transfer does not increase the total appropriation for any fiscal year. HDPL did such an amendment in fiscal year 2006, reducing General Fund appropriations by \$1,350 and increasing Debt Service appropriations by \$350 and Extraordinary Maintenance by \$1,000. The following table illustrates the total differences between the original budget, the final budget and actual expenditures.



**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Actual expenditures were 92.1% of appropriations, or \$504,948 lower than the final budget. The main areas of savings are summarized below:

- Salaries and wages were \$99,949 below the final budget. This is due primarily to vacancy savings.
- Employee benefits were \$40,991 below the final budget. This is also due primarily to vacancy savings.
- Services and supplies were \$139,394 below the final budget. This is primarily due to a change in cataloging service provided and in utility/communications savings.
- Capital outlay was \$224,614 below the final budget. This is due to management's decision to delay purchasing the opening day collection for the Green Valley Library until the next fiscal year. This decision was made after discussions with various book vendors revealed issues with storage of the materials.

Capital Assets

At June 30, 2006, HDPL had \$10,675,748 invested in capital assets (net of accumulated depreciation). This investment in capital assets includes land, buildings, books, computer equipment, equipment, furniture, leasehold improvements and vehicles. This amount represents a net increase of \$77,003, or .7%, from last year. The following table reflects capital assets of HDPL at June 30, 2006 and 2005.

**HDPL's Capital Assets
(net of depreciation)**

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Buildings	\$ 7,080,827	\$ 7,388,270
Books	2,850,647	2,452,070
Computer equipment	28,582	75,498
Construction in progress	-	55,000
Equipment	13,840	12,319
Furniture	116,853	154,280
Land	461,308	461,308
Leasehold Improvements	7,873	-
Vehicles	115,818	-
Total capital assets, net of depreciation	<u>\$ 10,675,748</u>	<u>\$ 10,598,745</u>

**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Major capital asset events during the current fiscal year include the following:

- Effective July 1, 2005, Henderson District Public Libraries changed its capitalization threshold for capital assets from \$500 to \$2,500. Consistent with the change, assets in the amount of \$753,451 were removed from the beginning balance of capital assets. This represented assets with an original cost value below the new threshold. Accumulated depreciation in the amount of \$498,774, related thereto, was also removed.
- Books increased by \$398,577. This is due to HDPL's commitment to continually increase the availability and selection of library books and materials for its patrons.
- Equipment increased by a net of \$1,521. This increased due to the purchase of new air conditioner for the Gibson library but decreased by the continued depreciation on the existing equipment.
- Buildings, computer equipment, and furniture decreased by \$307,443, \$49,916, and \$37,427, respectively. This is due to continued depreciation on existing capital assets.
- Construction of the bookmobile was completed and classified under vehicles.
- A new category of assets, Leasehold Improvements, was added this fiscal year. Improvements to the Pittman Library were classified in this category.

Additional information on HDPL's capital assets can be found in Note 4 to the financial statements.

Long-term Debt

At the end of the current fiscal year, HDPL had \$2,581,858 in outstanding debt, \$934,000 of which was for a medium term general obligation refunding bond issued in 2003, \$1,167,500 of which was for a medium term general obligation note issued in 2004, and \$480,358 of which was for compensated absences.

Per Nevada Revised Statute 379.0225, the debt limitation for HDPL is equal to 10 percent of the total assessed value of all taxable property. The debt limitation currently applicable to June 30, 2006 is \$1,048,420,346. HDPL's net general obligation bonded debt subject to the legal debt margin of \$2,101,500 was well below this legal limit.

Additional information on HDPL's long-term debt can be found in Note 6 to the financial statements.

Currently Known Facts

In April 2005, HDPL reached a joint resolution with the LV-CCLD that changed HDPL's boundaries to be coterminous with the City of Henderson's boundaries and adopted and approved an interlocal agreement between the two districts that would transfer ownership of the Green Valley Library to HDPL.

**HENDERSON DISTRICT PUBLIC LIBRARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The Green Valley Library is located in Henderson but owned and operated by LV-CCLD. The interlocal agreement would transfer ownership of the building to HDPL in January 2009. Staff, materials, and personal property currently in the building will remain with LV-CCLD. As consideration for LV-CCLD operating, supplying and staffing the Green Valley Library from July 2005 through January 2009, HDPL agreed to pay LV-CCLD an amount equal to the ad valorem revenues collected from the affected taxing districts for the period stated above. Actual revenues for FY06 equaled \$423,507.

Requests for Information

This financial report is designed to provide its users with a general overview of HDPL's finances and to show HDPL's accountability for the money it receives. Any questions, comments or requests for additional financial information should be addressed to:

Henderson District Public Libraries
Finance Department
280 South Green Valley Parkway
Henderson, Nevada 89012

BASIC FINANCIAL STATEMENTS



HENDERSON DISTRICT PUBLIC LIBRARIES

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,103,930
Accounts receivable	41,110
Due from other governments	374,927
Prepays	20,945
Capital assets (net of accumulated depreciation):	
Property and equipment	7,825,101
Library books and materials	2,850,647
TOTAL ASSETS	13,216,660
LIABILITIES	
Accounts payable	529,052
Accrued payroll	136,856
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	287,100
Compensated absences	305,472
Portion due or payable after one year:	
General obligation bonds	1,814,400
Compensated absences	174,886
TOTAL LIABILITIES	3,247,766
NET ASSETS	
Invested in capital assets, net of related debt	8,574,248
Unrestricted	1,394,646
TOTAL NET ASSETS	\$ 9,968,894

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
Governmental activities:					
Culture and recreation	\$ 6,453,879	\$ 236,238	\$ 108,809	\$ 171,110	\$ (5,937,722)
Debt service:					
Interest on bonds	79,471	-	-	-	(79,471)
Total governmental activities	<u>\$ 6,533,350</u>	<u>\$ 236,238</u>	<u>\$ 108,809</u>	<u>\$ 171,110</u>	<u>(6,017,193)</u>
General revenues:					
Ad valorem taxes					4,655,583
Consolidated taxes					2,247,532
Unrestricted investment earnings					77,819
Total general revenues					6,980,934
CHANGE IN NET ASSETS					963,741
NET ASSETS, BEGINNING OF YEAR, AS ORIGINALLY REPORTED					9,259,830
Less: Change in capitalization threshold					(254,677)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED					9,005,153
NET ASSETS, END OF YEAR					\$ 9,968,894

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

GOVERNMENTAL FUNDS

BALANCE SHEET JUNE 30, 2006

	General Fund	Contributions and Grants Fund	Capital Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,518,104	\$ 178,244	\$ 285,478	\$ 122,104	\$ 2,103,930
Accounts receivable	275	40,835	-	-	41,110
Due from other governments	374,927	-	-	-	374,927
Prepays	13,234	-	-	7,711	20,945
TOTAL ASSETS	\$ 1,906,540	\$ 219,079	\$ 285,478	\$ 129,815	\$ 2,540,912

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 359,620	\$ 123,720	\$ -	\$ 45,712	\$ 529,052
Deferred revenue	-	1,942	-	-	1,942
Accrued payroll	136,856	-	-	-	136,856
Total liabilities	496,476	125,662	-	45,712	667,850
Fund balances:					
Reserved:					
Reserved for prepaids	13,234	-	-	7,711	20,945
Unreserved, reported in:					
General Fund	1,396,830	-	-	-	1,396,830
Special Revenue Funds	-	93,417	-	58,932	152,349
Capital Projects Funds	-	-	285,478	17,460	302,938
Total fund balances	1,410,064	93,417	285,478	84,103	1,873,062
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,906,540	\$ 219,079	\$ 285,478	\$ 129,815	\$ 2,540,912

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Fund Balances - Governmental Funds \$ 1,873,062

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 governmental
funds.

Governmental capital assets	\$ 17,311,371	
Less: Accumulated depreciation	<u>(6,635,623)</u>	
		10,675,748

Deferred revenue represents amounts that are not available to
fund current expenditures and, therefore, are not reported in
the governmental funds. 1,942

Long-term liabilities, including bonds payable, are not due and
payable in the current period and, therefore, are not reported in
the governmental funds.

Bonds payable	(2,101,500)	
Compensated absences	<u>(480,358)</u>	
		<u>(2,581,858)</u>

Net assets - Governmental Activities \$ 9,968,894

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Contributions and Grants Fund</u>	<u>Capital Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Ad valorem	\$ 4,655,583	\$ -	\$ -	\$ -	\$ 4,655,583
Intergovernmental:					
Consolidated tax	2,247,532	-	-	-	2,247,532
Grants, federal and state	-	99,776	-	-	99,776
Grants, local	-	10,558	-	-	10,558
Miscellaneous:					
Fines and forfeits	88,690	-	-	-	88,690
Contributions from private sources	-	72,930	-	-	72,930
Investment income	53,888	3,834	10,906	9,191	77,819
Other	94,320	55,588	-	-	149,908
Total revenues	<u>7,140,013</u>	<u>242,686</u>	<u>10,906</u>	<u>9,191</u>	<u>7,402,796</u>
EXPENDITURES:					
Current:					
Culture and recreation:					
Salaries and wages	2,845,551	-	-	-	2,845,551
Employee benefits	825,509	-	-	-	825,509
Services and supplies	1,313,926	71,244	-	312,179	1,697,349
Capital outlay	876,886	114,068	2,756	12,357	1,006,067
Debt service:					
Principal	-	-	-	277,000	277,000
Interest on bonds	-	-	-	79,471	79,471
Administrative and other costs				300	300
Total expenditures	<u>5,861,872</u>	<u>185,312</u>	<u>2,756</u>	<u>681,307</u>	<u>6,731,247</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,278,141</u>	<u>57,374</u>	<u>8,150</u>	<u>(672,116)</u>	<u>671,549</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	6,894	140,605	677,771	825,270
Transfers out	(825,270)	-	-	-	(825,270)
Total other financing sources (uses)	<u>(825,270)</u>	<u>6,894</u>	<u>140,605</u>	<u>677,771</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	452,871	64,268	148,755	5,655	671,549
FUND BALANCES, BEGINNING OF YEAR	957,193	29,149	136,723	78,448	1,201,513
FUND BALANCES, END OF YEAR	<u>\$ 1,410,064</u>	<u>\$ 93,417</u>	<u>\$ 285,478</u>	<u>\$ 84,103</u>	<u>\$ 1,873,062</u>

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in Fund Balances - Government Funds \$ 671,549

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

Governmental funds report capital outlays as expenditures and the proceeds
from the sale of assets as other financing sources. However, in the statement
of activities, the cost of those assets is depreciated over their estimated useful
lives and only the gain or loss is recorded when assets are sold.

Expenditures for capital assets	\$ 1,006,067	
Loss on disposition of assets	(7,699)	
Less: Current year depreciation	<u>(1,016,114)</u>	
		(17,746)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in governmental funds.

Change in deferred revenue	(454)	
Donated capital assets	<u>94,749</u>	
		94,295

The issuance of long-term debt provides current financial resources to the
governmental funds, while the repayment of the principal of long term debt
consumes the current financial resources of the governmental fund. Neither
transaction, however, has any effect on net assets. This amount is the net
effect of these differences in the treatment of long-term debt and related items.

Repayment of bond principal	<u>277,000</u>	
		277,000

Expenses reported in the Statement of Activities that do not require the use of
current financial resources are not reported as expenditures in the
governmental funds.

Change in long-term compensated absences	<u>(61,357)</u>	
		(61,357)

Change in net assets - Governmental Activities	<u><u>\$ 963,741</u></u>
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See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:				
Taxes:				
Ad valorem	\$ 4,637,085	\$ 4,637,085	\$ 4,655,583	\$ 18,498
Intergovernmental:				
Consolidated tax	2,075,000	2,075,000	2,247,532	172,532
Miscellaneous:				
Fines and forfeits	75,000	75,000	88,690	13,690
Investment income	20,000	20,000	53,888	33,888
Other	92,000	92,000	94,320	2,320
Total revenues	<u>6,899,085</u>	<u>6,899,085</u>	<u>7,140,013</u>	<u>240,928</u>
EXPENDITURES:				
Current:				
Culture and recreation:				
Salaries and wages	2,945,500	2,945,500	2,845,551	99,949
Employee benefits	866,500	866,500	825,509	40,991
Services and supplies	1,454,670	1,453,320	1,313,926	139,394
Capital outlay	1,101,500	1,101,500	876,886	224,614
Total expenditures	<u>6,368,170</u>	<u>6,366,820</u>	<u>5,861,872</u>	<u>504,948</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>530,915</u>	<u>532,265</u>	<u>1,278,141</u>	<u>745,876</u>
OTHER FINANCING USES:				
Transfers out	<u>(829,065)</u>	<u>(830,415)</u>	<u>(825,270)</u>	<u>5,145</u>
NET CHANGE IN FUND BALANCE	(298,150)	(298,150)	452,871	751,021
FUND BALANCE, BEGINNING OF YEAR	<u>898,150</u>	<u>898,150</u>	<u>957,193</u>	<u>59,043</u>
FUND BALANCE, END OF YEAR	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 1,410,064</u>	<u>\$ 810,064</u>

See notes to financial statements.

HENDERSON DISTRICT PUBLIC LIBRARIES

SPECIAL REVENUE FUND - CONTRIBUTIONS AND GRANTS FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental:				
Grants, federal and state	\$ 56,000	\$ 99,909	\$ 99,776	\$ (133)
Grants, local	-	10,560	10,558	(2)
Miscellaneous:				
Contributions from private sources	15,500	52,500	72,930	20,430
Investment income	-	-	3,834	3,834
Other	11,000	11,000	55,588	44,588
Total revenues	<u>82,500</u>	<u>173,969</u>	<u>242,686</u>	<u>68,717</u>
EXPENDITURES:				
Current:				
Culture and recreation:				
Services and supplies	46,000	72,136	71,244	892
Capital outlay	48,500	113,833	114,068	(235)
Total expenditures	<u>94,500</u>	<u>185,969</u>	<u>185,312</u>	<u>657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,000)</u>	<u>(12,000)</u>	<u>57,374</u>	<u>69,374</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>12,000</u>	<u>12,000</u>	<u>6,894</u>	<u>(5,106)</u>
NET CHANGE IN FUND BALANCE	-	-	64,268	64,268
FUND BALANCE, BEGINNING OF YEAR	<u>38,500</u>	<u>38,500</u>	<u>29,149</u>	<u>(9,351)</u>
FUND BALANCE, END OF YEAR	<u>\$ 38,500</u>	<u>\$ 38,500</u>	<u>\$ 93,417</u>	<u>\$ 54,917</u>

See notes to financial statements.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Henderson District Public Libraries (HDPL) was established and operates as an independent governmental unit under authority of Nevada Revised Statutes (NRS) Chapter 379. It is governed by a seven member Board of Trustees. Five of the Board members are appointed to four-year terms by the Board of County Commissioners of Clark County, Nevada. The other two Board members are appointed to three-year terms by the City of Henderson Council. The Board of Trustees is responsible for establishing policy and overall operations of HDPL maintained within the District's boundaries. HDPL currently operates four libraries – the James I. Gibson Public Library, the Lydia Malcolm Library, the Paseo Verde Library and the Pittman Library.

HDPL is not considered a component unit of any other governmental unit under criteria established by Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and does not engage in any business-type activities.

B. Implementation of Government Accounting Standards Board Statements

GASB Statement No. 44

At June 30, 2006, HDPL adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement No. 1*. The objective of this Statement is to improve the understandability and usefulness of the information presented as supplementary information in the statistical section by establishing and modifying requirements related to the supplementary information.

Accordingly, the statistical section has been revised to conform to the provisions of GASB Statement No. 44.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of HDPL. Eliminations have been made to minimize the double-counting of internal activities. Services provided by the General Fund to other funds are reported as expenditures in the funds receiving the services and as reductions of expenditures in the General Fund. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function. Program revenues include 1) fees, fines, and charges paid by recipients of goods or services offered by a given program and 2) grants and contributions

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies (continued)

that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about HDPL's funds. Funds are classified into three categories: governmental, proprietary and fiduciary. During fiscal year 2006, HDPL used only the governmental fund category. The emphasis of fund financial statements is on the major governmental funds, which are each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. The government-wide financial 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 liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, HDPL considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due (or when payment is made).

Property taxes, consolidated tax revenue (sales taxes, cigarette taxes, motor vehicle privilege taxes and liquor taxes), interest associated with the current fiscal period, and federal, state and local grants are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Charges for services, fines and contributions are not susceptible to accrual because generally they are not measurable until received in cash.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures (no later than 60 days after year-end).

HDPL reports deferred revenue in the fund financial statements balance sheets. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenues are recognized.

HDPL reports three major governmental funds:

The **General Fund** is HDPL's primary operating fund. It accounts for all financial resources and costs associated with the general government, except those that are required to be accounted for in other funds.

The **Contributions and Grants Fund** is used to account for donations, grants, and other non-tax related resources and expenditures separate from the tax based revenues and general operating expenditures.

The **Capital Construction Fund** is used to account for the cost of construction, purchases, modernization, or furnishing of libraries, buildings, or sites.

E. Assets, Liabilities, and Equity

1. Cash and Investments

HDPL maintains three checking accounts, a sweep account and invests resources with an investment firm. HDPL pools cash resources of its various funds in order to facilitate the management of cash and maximize investment earning potential. Cash applicable to a particular fund is readily identifiable.

Cash and cash equivalents include currency on hand, demand deposits with banks and other highly liquid investments, with original maturities of three months or less from the date of acquisition, which are readily convertible to cash.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies (continued)

As more fully described in Note 3, state statutes authorize HDPL to invest in obligations of the U.S. Treasury, certain farm loan bonds, certain securities issued by Nevada local governments, repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit and money market mutual funds. All investments are stated at fair value.

2. Property Taxes

Taxes on real property are levied based on the assessed valuations as of January 1st of each year. A lien is placed on the property on July 1st of each year, and the taxes are due on the third Monday in August. The taxes can be paid in four installments on or before the third Monday in August and the first Mondays in October, January and March. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the County Treasurer obtains a deed to the property free of all encumbrances. Upon receipt of deed, the County Treasurer may sell the property to satisfy the tax lien.

3. Capital Assets

Capital assets are defined as those assets with an initial cost of \$2,500 or more and an estimated useful life of more than one year. Library books and materials purchased throughout the fiscal year are combined together as one item and considered a capital asset. All purchased or constructed capital assets are reported at cost or estimated historical cost. Donated assets are recorded at their estimated fair value at the date of donation. Book deletions are computed using the average cost per book, as determined from the purchases over a period of years. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	30 years
Books	5 years
Computer equipment	3 years
Equipment	5 years
Furniture	7 years
Leasehold improvements	20 years
Vehicles	5 years

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies (continued)

4. Compensated Absences

It is HDPL's policy to permit employees to accumulate earned but unused vacation, sick and compensatory time benefits, subject to cap limits. All vacation, sick and compensatory time leave is accrued when incurred in the government-wide financial statements. In governmental funds, the current portion of compensated absences, vacation leave, sick leave and compensatory time actually paid or accrued as a result of employees who have terminated, is recorded as a payroll expenditure.

5. Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, if material. For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized, if material, as a component of interest expense using the straight-line method. Issuance costs, if material, are reported as deferred charges and amortized over the term of the related bond.

In governmental funds, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

6. Equity Classifications

In the government-wide financial statements, equity is classified as net assets and displayed in two components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bond, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Unrestricted Net Assets – Consists of net assets that do not meet the definition of "invested in capital assets, net of related debt".

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 – Summary of Significant Accounting Policies (continued)

In fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified into reserved and unreserved. Reservations of fund balance consist of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

NOTE 2 – Compliance and Accountability

A. Budgetary Information

HDPL adheres to the Local Government Budget and Finance Act, incorporated within the statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data that is reflected in these financial statements:

1. On or before April 15, the Library Board of Trustees files a tentative budget with the Nevada Department of Taxation.
2. Public hearings on the tentative budget are held during the third week in May.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) and appropriations lapse at year end.
6. Statutory regulations require budget controls to be exercised at the function level. Management is authorized to transfer budget amounts between functions or funds if amounts do not exceed total appropriations and the Board of Trustees is notified at the next regular meeting.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 – Compliance and Accountability (continued)

7. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Board of Trustees following a public hearing. Such augmentations become effective upon receipt of such resolution by the Nevada Department of Taxation. Various supplemental appropriations were approved during the year to reflect necessary changes in spending and the corresponding additional resources available.
8. In accordance with Statute, actual expenditures may not exceed appropriations in the various functions of the General Fund, Special Revenue Fund, and the Capital Projects Funds.

B. Compliance with Nevada Revised Statutes

Henderson District Public Libraries conformed to all significant statutory constraints on its financial administration during this year.

NOTE 3 – Cash and Investments

The following summarizes HDPL's cash and investment balances as of June 30, 2006:

Cash and investments:

Petty cash	\$	1,800
Cash in financial institutions		397,498
Investments		<u>1,704,632</u>
Total cash and investments	\$	<u><u>2,103,930</u></u>

State statutes govern HDPL's deposit options. HDPL monies must be deposited in insured banks, credit unions, or savings and loan associations. HDPL is authorized to use demand accounts, time accounts and certificates of deposit.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006, the recorded amount of HDPL's deposits was \$397,498 and the bank balances were \$474,766. Of the bank statement balances, \$100,000 was covered by federal depository insurance, \$366,865 was covered by collateral held by HDPL's agent in HDPL's name, and \$7,901 was uninsured and uncollateralized.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 – Cash and Investments (continued)

HDPL invests through pooling of monies. The pooling of monies is theoretically invested on the whole and not as a combination of monies from each fund belonging to the pool. In this manner, HDPL's Chief Financial Officer is able to invest the monies at a higher interest rate for a longer period of time. Interest revenue is apportioned annually to each fund in the pool based on the average cash balance of the fund for each month. HDPL's investment pool is not registered with the Securities and Exchange Commission as an investment company. Investments made by the Chief Financial Officer are regulated by Nevada Revised Statutes (NRS 355.170).

As a note, NRS 355.170 set forth acceptable investments for Nevada local governments. HDPL has not adopted a formal investment policy that would limit its investment choices nor limit its exposure to certain risks beyond that set forth in the statutes.

The following table identifies the investment types and minimum credit ratings authorized for HDPL by NRS 355.170:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings S & P Moody	
Banker's Acceptances	180	20%	5%	A-1	P-1
Commercial Paper	270 days	20%	None	A-1	P-1
Money Market Mutual Funds	None	None	None	AAA	Aaa
Negotiable Certificates of Deposit	None	None	None	n/a	n/a
Collateralized Nonnegotiable Certificates of Deposit	None	None	None	n/a	n/a
Negotiable notes/medium-term obligations of local government of the State of Nevada	5 years	None	None	n/a	n/a
Repurchase Agreements	90 days	None	10%	n/a	n/a
U.S. Treasury Obligations	10 years	None	None	n/a	n/a
U.S. Agency Securities:					
Federal National Mortgage	10 years	None	None	n/a	n/a
Federal Agricultural Mortgage Corporation	10 years	None	None	n/a	n/a
Federal Farm Credit Bank	10 years	None	None	n/a	n/a
Federal Home Loan Bank	10 years	None	None	n/a	n/a
Federal Home Loan Mortgage Corporation	10 years	None	None	n/a	n/a
Government National Mortgage Association	10 years	None	None	n/a	n/a
Local Government Investment Pool	None	None	None	n/a	n/a

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 – Cash and Investments (continued)

As of June 30, 2006, HDPL had the following investments and maturities:

	Interest Rates	Maturities	Par	Cost	Fair Value	Weighted Average Maturity (Years)
Pooled Investments:						
Federal Home Loan Mortgage	3.8% - 5.1%	08/01/06 - 02/08/08	\$ 1,465,000	\$ 1,445,636	\$ 1,455,132	0.43
Federal National Mortgage	5.20%	7/17/2006	250,000	249,289	249,500	0.05
Total Pooled Investments				<u>\$ 1,694,925</u>	<u>\$ 1,704,632</u>	<u>0.38</u>

Interest Rate Risk: Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. HDPL does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the Statutes.

Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality rating of investments. State statutes require governmental agencies to invest in instruments that inherently have low credit risk as evidenced by the table on page 18. HDPL has no formal investment policy that further limits investments in a single issuer.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of their respective pool:

Investments	S & P	Moody's	% of Portfolio
Federal Home Loan Mortgage	AAA	Aaa	85.36%
Federal National Mortgage	AAA	Aaa	14.64%
Total investments			<u>100.00%</u>

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, HDPL will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, HDPL's investment pool and specific investments had no securities exposed to custodial credit risk.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 – Capital Assets

The following schedule summarizes the changes in capital assets for the year ended June 30, 2006:

Governmental Activities:

	Balance July 1, 2005 As Originally Reported	Changes in Capitalization Threshold	As Adjusted	Additions	Deletions	Balance June 30, 2006
Capital assets, not being depreciated:						
Construction in progress	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ (55,000)	\$ -
Land	461,308	-	461,308	-	-	461,308
Total capital assets, not being depreciated:	<u>516,308</u>	<u>-</u>	<u>516,308</u>	<u>-</u>	<u>(55,000)</u>	<u>461,308</u>
Capital assets, being depreciated:						
Buildings	9,208,396	-	9,208,396	-	-	9,208,396
Books	6,284,267	-	6,284,267	1,011,146	(902,713)	6,392,700
Computer equipment	1,238,923	(494,860)	744,063	4,384	(103,941)	644,506
Equipment	46,986	(26,948)	20,038	5,495	(5,200)	20,333
Furniture	670,211	(231,643)	438,568	3,826	(10,611)	431,783
Leasehold Improvements	-	-	-	7,973	-	7,973
Vehicles	21,379	-	21,379	122,993	-	144,372
Total capital assets, being depreciated	<u>17,470,162</u>	<u>(753,451)</u>	<u>16,716,711</u>	<u>1,155,817</u>	<u>(1,022,465)</u>	<u>16,850,063</u>
Less accumulated depreciation for:						
Buildings	(1,820,126)	-	(1,820,126)	(307,443)	-	(2,127,569)
Books	(3,832,197)	-	(3,832,197)	(612,569)	902,713	(3,542,053)
Computer equipment	(1,034,661)	366,096	(668,565)	(48,703)	101,344	(615,924)
Equipment	(23,547)	15,829	(7,719)	(3,975)	5,200	(6,494)
Furniture	(401,138)	116,849	(284,288)	(36,149)	5,508	(314,929)
Leasehold Improvements	-	-	-	(100)	-	(100)
Vehicles	(21,379)	-	(21,379)	(7,175)	-	(28,554)
Total accumulated depreciation	<u>(7,133,048)</u>	<u>498,774</u>	<u>(6,634,274)</u>	<u>(1,016,114)</u>	<u>1,014,765</u>	<u>(6,635,623)</u>
Total capital assets, being depreciated, net	<u>10,337,114</u>	<u>(254,677)</u>	<u>10,082,437</u>	<u>139,703</u>	<u>(7,700)</u>	<u>10,214,440</u>
Governmental activities capital assets, net	<u>\$ 10,853,422</u>	<u>\$ (254,677)</u>	<u>\$ 10,598,745</u>	<u>\$ 139,703</u>	<u>\$ (62,700)</u>	<u>\$ 10,675,748</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

Culture and recreation	<u>\$ 1,016,114</u>
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**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 – Change in Capital Threshold

Effective July 1, 2005, Henderson District Public Libraries changed its capitalization threshold for capital assets from \$500 to \$2,500. Consistent with the change, assets in the amount of \$753,451 have been removed from the beginning balance of capital assets. This represents assets with an original cost value below the new threshold. A breakdown by type of asset is provided in the *Change in Capitalization Threshold* column in Note 4. Accumulated depreciation in the amount of \$498,774, related thereto, has also been removed. The detail by type of asset is also shown in Note 4. The net book value of the assets, \$254,677, has been reflected as a reduction in net assets.

NOTE 6 – Long-Term Debt

A. Changes to Long-Term Debt

Long-term debt, other than compensated absences, is used to construct, maintain, and equip library facilities. The following schedule summarizes the changes in long-term debt:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>	<u>Due in 2006-2007</u>
General Obligation Bond:					
Series 2003, Medium term refunding bond - \$1,431,000, due in annual installments beginning 2004 through July 1, 2011; interest at 3.05%.	\$ 1,104,000	\$ -	\$ (170,000)	\$ 934,000	\$ 176,000
General Obligation Note:					
2004, Medium term note - \$1,274,500, due in annual installments beginning 2005 through November 1, 2014; interest at 3.75%.	1,274,500	-	(107,000)	1,167,500	111,100
Compensated absences	<u>419,001</u>	<u>303,720</u>	<u>(242,363)</u>	<u>480,358</u>	<u>305,472</u>
Total Long-Term Debt	<u>\$ 2,797,501</u>	<u>\$ 303,720</u>	<u>\$ (519,363)</u>	<u>\$ 2,581,858</u>	<u>\$ 592,572</u>

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 – Long-Term Debt (continued)

B. Payment Requirements for Debt Service

The liability of the general obligation bond and note will be liquidated by the Debt Service Fund and the liability of compensated absences will be liquidated by the General Fund. The annual requirements to pay principal and interest on the bond and note outstanding at June 30, 2006 are as follows:

Fiscal Year			
Ending	Principal	Interest	Total
2007	287,100	70,185	357,285
2008	297,400	60,570	357,970
2009	306,800	50,609	357,409
2010	316,400	40,327	356,727
2011	326,100	29,717	355,817
2012-2015	567,700	43,578	611,278
Totals	<u>\$ 2,101,500</u>	<u>\$ 294,986</u>	<u>\$ 2,396,486</u>

NOTE 7 – Interfund Activity

Interfund transfers for the year ended June 30, 2006 consisted of the following:

		Transfers in		
		Contributions and Grants Fund	Capital Construction Fund	Nonmajor Governmental Funds
				Total
Transfers out:				
General Fund	\$ 6,894	\$ 140,605	\$ 677,771	\$ 825,270
Total	<u>\$ 6,894</u>	<u>\$ 140,605</u>	<u>\$ 677,771</u>	<u>\$ 825,270</u>

Transfers are made to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 8 – Defined Benefit Plan

Plan Description: All HDPL employees who work at least half-time are covered by the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple-employer, defined benefit plan administered by the PERS. All full-time employees are mandated by state law to participate in PERS. HDPL employees have a choice as to whether to be enrolled under a non-contributory plan where no benefits are payable unless they reach the vesting period of five years or a contributory plan where employee contributions are refunded to the employee if they do not reach their vesting period. PERS provides retirement benefits, disability benefits and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report, which includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Funding Policy: Plan members electing the non-contributory plan are funded under a plan whereby HDPL is required to contribute all amounts due under the plan. Plan members electing the contributory plan are funded under a plan whereby HDPL is required to contribute one-half the amounts due under the plan and the employee contributes the other half due. The contribution requirements are established by Chapter 286 of the Nevada Revised Statutes, which requires adjustments on each odd numbered year based on the actuarially determined contribution rate indicated in the biennial actuarial valuation. HDPL's contribution rates and the amounts contributed (equal to the required contributions) for the last three years are as follows:

Fiscal Year	<u>Non-Contributory Plan</u>		<u>Contributory Plan</u>		Total
	<u>Regular</u>	<u>Contribution</u>	<u>Regular</u>	<u>Contribution</u>	<u>Contribution</u>
	<u>Member</u>		<u>Member</u>		
2005-06	19.75%	\$ 374,387	10.50%	\$ 60,459	\$ 434,846
2004-05	20.25%	350,571	10.50%	51,360	401,931
2003-04	20.25%	335,940	10.50%	42,453	378,393

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 9 – Post-Employment Benefits

In accordance with Nevada Revised Statutes 287.023, HDPL adopted the Retiree Health Insurance Program. Employees are eligible for payment by HDPL of a portion of their health benefit premiums upon retirement, based upon years of service to a maximum of 100% after 20 years of service. Retirees are offered medical, prescription, vision, and life insurance benefits for themselves and their dependents. Retirees must pay the full premium for their dependents. During the current fiscal year, HDPL paid \$2,728 for 2 eligible participants. Currently, HDPL finances the plan on a pay-as-you-go basis.

NOTE 10 – Risk Management

HDPL is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions. HDPL participates in Clark County, Nevada's insurance program to provide health insurance coverage for its employees. HDPL carries insurance policies for liability, fire, theft, auto, inland marine, workers compensation and Directors and Officers coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – Contracts

HDPL continued the interlocal agreement with the City of Henderson (the City) whereby the City provides landscape and building maintenance for the James I. Gibson Public Library. These services are to be provided to HDPL at cost, as determined on a monthly basis. This agreement also provides for assistance in the preparation of any study or evaluation of HDPL's capability to provide services to the extended Southwest Henderson area and assistance with the development of the proposed Heritage Library. These services are to be provided at no cost to HDPL. In addition, this agreement provides for the appointment of two members of the Board of Trustees by the Henderson City Council. The term of the interlocal agreement is six years, and ends on June 30, 2007, unless renewed for an additional six years by mutual agreement of both parties.

HDPL continued the following leases with the City of Henderson:

- HDPL leased 4.06 acres of land on which the James I. Gibson Library is located for a period of 99 years, commencing April 22, 1986. Upon expiration, this lease shall automatically renew on a year-to-year basis unless either party notifies the other party in writing one year prior to the scheduled expiration date. The leased land was provided to HDPL for the sum of \$1,218 annually but was reduced on July 21, 2005 to the nominal sum of \$1 per year. This change was in consideration for reducing the lease acreage, thereby, allowing the City to develop its City Center Plaza.

**HENDERSON DISTRICT PUBLIC LIBRARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 11 – Contracts (continued)

- HDPL leased space for a neighborhood library, located at 1608 Moser Street, from the City for a period of thirty months, commencing September 1, 1997. The leased premises were provided to HDPL at no cost in exchange for other considerations, such as the payment of all utilities and janitorial services. Although the initial lease term has expired, this lease automatically renews for up to five (5) additional thirty-month periods unless cancelled by either party.
- HDPL leased 4.36 acres of the land on which the Paseo Verde Library is located for a period of 50 years, commencing May 16, 2000. The leased land is provided to HDPL at the nominal sum of \$1 per year in exchange for other considerations, such as payment of all utilities and janitorial services. This lease is renewable for an additional period of 48 years, unless cancelled by HDPL.

Per a joint resolution with the Las Vegas-Clark County Library District (LV-CCLD), HDPL is continuing to pay LV-CCLD the ad valorem revenues collected from certain taxing districts as consideration for their operating, supplying, and staffing the Green Valley Library. This library is located in Henderson but owned and operated by LV-CCLD. These payments will continue until January 2009, at which time, ownership of the Green Valley Library will transfer to HDPL.

GOVERNMENTAL FUNDS



NONMAJOR SPECIAL REVENUE FUND


Extraordinary Maintenance Fund - To account for the costs of capital projects undertaken not more frequently than once every five years to maintain library facilities and equipment in fit operating condition.

NONMAJOR DEBT SERVICE FUND

Debt Service Fund - To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

NONMAJOR CAPITAL PROJECTS FUND

Capital Technology Fund - To account for the costs of technological equipment and improvements.



HENDERSON DISTRICT PUBLIC LIBRARIES

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2006

	Special Revenue Fund - Extraordinary Maintenance <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects Fund - Capital Technology <u>Fund</u>	Total Nonmajor Funds
ASSETS				
Cash and investments	\$ 58,932	\$ -	\$ 63,172	\$ 122,104
Prepays	-	-	7,711	7,711
TOTAL ASSETS	<u>\$ 58,932</u>	<u>\$ -</u>	<u>\$ 70,883</u>	<u>\$ 129,815</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,712</u>	<u>\$ 45,712</u>
Fund balances				
Reserved:				
Reserved for prepaids			7,711	7,711
Unreserved:				
Designated for extraordinary maintenance	58,932	-	-	58,932
Designated for capital technology	<u>-</u>	<u>-</u>	<u>17,460</u>	<u>17,460</u>
Total fund balances	<u>58,932</u>	<u>-</u>	<u>25,171</u>	<u>84,103</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,932</u>	<u>\$ -</u>	<u>\$ 70,883</u>	<u>\$ 129,815</u>

HENDERSON DISTRICT PUBLIC LIBRARIES

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Fund - Extraordinary Maintenance Fund	Debt Service Fund	Capital Projects Fund - Capital Technology Fund	Total Nonmajor Funds
REVENUES:				
Miscellaneous:				
Investment income	\$ 2,666	\$ -	\$ 6,525	\$ 9,191
EXPENDITURES:				
Current:				
Culture and recreation:				
Services and supplies	3,000	-	309,179	312,179
Capital outlay	7,973	-	4,384	12,357
Debt service:				
Principal	-	277,000	-	277,000
Interest on bonds	-	79,471	-	79,471
Administrative and other charges	-	300	-	300
Total expenditures	10,973	356,771	313,563	681,307
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,307)	(356,771)	(307,038)	(672,116)
OTHER FINANCING SOURCES:				
Transfers in	41,000	356,771	280,000	677,771
NET CHANGE IN FUND BALANCES	32,693	-	(27,038)	5,655
FUND BALANCES, BEGINNING OF YEAR	26,239	-	52,209	78,448
FUND BALANCES, END OF YEAR	\$ 58,932	\$ -	\$ 25,171	\$ 84,103

HENDERSON DISTRICT PUBLIC LIBRARIES

SPECIAL REVENUE FUND - EXTRAORDINARY MAINTENANCE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:			
Miscellaneous:			
Investment income	<u>\$ -</u>	<u>\$ 2,666</u>	<u>\$ 2,666</u>
EXPENDITURES:			
Current:			
Culture and recreation:			
Services and supplies	3,000	3,000	-
Capital outlay	<u>8,000</u>	<u>7,973</u>	<u>27</u>
Total expenditures	<u>11,000</u>	<u>10,973</u>	<u>27</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(11,000)</u>	<u>(8,307)</u>	<u>2,693</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>41,000</u>	<u>41,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	30,000	32,693	2,693
FUND BALANCE, BEGINNING OF YEAR	<u>25,467</u>	<u>26,239</u>	<u>772</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 55,467</u></u>	<u><u>\$ 58,932</u></u>	<u><u>\$ 3,465</u></u>

HENDERSON DISTRICT PUBLIC LIBRARIES

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
EXPENDITURES:			
Debt Service:			
Principal	\$ 277,000	\$ 277,000	\$ -
Interest on bonds	79,510	79,471	39
Fiscal agent charges	300	300	-
Total expenditures	<u>356,810</u>	<u>356,771</u>	<u>39</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(356,810)</u>	<u>(356,771)</u>	<u>39</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>356,810</u>	<u>356,771</u>	<u>39</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HENDERSON DISTRICT PUBLIC LIBRARIES

CAPITAL PROJECTS FUND - CAPITAL CONSTRUCTION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:			
Miscellaneous:			
Investment income	<u>\$ -</u>	<u>\$ 10,906</u>	<u>\$ 10,906</u>
EXPENDITURES:			
Capital outlay	<u>25,000</u>	<u>2,756</u>	<u>22,244</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,000)</u>	<u>8,150</u>	<u>33,150</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>140,605</u>	<u>140,605</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	115,605	148,755	33,150
FUND BALANCE, BEGINNING OF YEAR	<u>133,168</u>	<u>136,723</u>	<u>3,555</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 248,773</u></u>	<u><u>\$ 285,478</u></u>	<u><u>\$ 36,705</u></u>

HENDERSON DISTRICT PUBLIC LIBRARIES

CAPITAL PROJECTS FUND - CAPITAL TECHNOLOGY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:			
Miscellaneous:			
Investment income	<u>\$ -</u>	<u>\$ 6,525</u>	<u>\$ 6,525</u>
EXPENDITURES:			
Current:			
Culture and recreation:			
Services and supplies	309,500	309,179	321
Capital outlay	<u>15,500</u>	<u>4,384</u>	<u>11,116</u>
Total expenditures	<u>325,000</u>	<u>313,563</u>	<u>11,437</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(325,000)</u>	<u>(307,038)</u>	<u>17,962</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>280,000</u>	<u>280,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(45,000)	(27,038)	17,962
FUND BALANCE, BEGINNING OF YEAR	<u>45,000</u>	<u>52,209</u>	<u>7,209</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 25,171</u></u>	<u><u>\$ 25,171</u></u>

STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

CONTENTS	PAGE
FINANCIAL TRENDS	32-35
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
REVENUE CAPACITY	36-39
<i>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</i>	
DEBT CAPACITY	40-42
<i>These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	
DEMOGRAPHIC AND ECONOMIC INFORMATION	43-44
<i>These schedules offer demographic and economic indicators to help the reader understand the environments within which the District's financial activities take place and to help make comparisons over time and with other governments.</i>	
OPERATING INFORMATION	45-49
<i>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</i>	

SOURCES: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The District implemented Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning that fiscal year.*

HENDERSON DISTRICT PUBLIC LIBRARIES

Government-wide Net Assets by Components
Last Four Fiscal Years
(accrual basis of accounting)

Governmental activities

Fiscal Year	Invested in capital assets, net of related debt	Unrestricted	Total
2003	\$ 7,864,247	\$ 558,230	\$ 8,422,477
2004	8,054,047	535,057	8,589,104
2005	8,220,245	784,908	9,005,153
2006	8,574,248	1,394,646	9,968,894

Note: In 2003, the district implemented GASB Statement 34 and began the annual process of calculating government-wide data.

HENDERSON DISTRICT PUBLIC LIBRARIES

Changes in Net Assets, Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
Culture and recreation	\$ 4,885,988	\$ 5,110,324	\$ 5,655,168
Debt service:			
Interest on long-term debt	70,778	50,314	62,632
Administrative and other costs	17,924		
Total governmental activities expenses	<u>\$ 4,974,690</u>	<u>\$ 5,160,638</u>	<u>\$ 5,717,800</u>
			<u>\$ 6,533,350</u>
Program Revenues			
Governmental activities:			
Charges for services	\$ 85,603	\$ 107,585	\$ 198,628
Operating grants and contributions	227,558	136,963	96,118
Capital grants and contributions	-	111,642	137,017
Total governmental activities program revenues	<u>\$ 313,161</u>	<u>\$ 356,190</u>	<u>\$ 431,763</u>
			<u>\$ 516,157</u>
Net (Expense)/Revenue, governmental activities	<u>\$ (4,661,529)</u>	<u>\$ (4,804,448)</u>	<u>\$ (5,286,037)</u>
			<u>\$ (6,017,193)</u>
General Revenue and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 2,905,118	\$ 3,293,633	\$ 3,771,189
Consolidated taxes	1,464,332	1,670,242	1,894,157
Investment earnings	16,805	7,200	36,740
Total governmental activities	<u>\$ 4,386,255</u>	<u>\$ 4,971,075</u>	<u>\$ 5,702,086</u>
			<u>\$ 6,980,934</u>
Changes in Net Assets, governmental activities	<u>\$ (275,274)</u>	<u>\$ 166,627</u>	<u>\$ 416,049</u>
			<u>\$ 963,741</u>

Note: In 2003, the district implemented GASB Statement 34 and began the annual process of calculating government-wide data.

HENDERSON DISTRICT PUBLIC LIBRARIES

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

General Fund

Fiscal Year	Reserved	Unreserved	Total
1997	\$ -	\$ 2,351,201	\$ 2,351,201
1998	-	3,146,746	3,146,746
1999	-	4,251,727	4,251,727
2000	81,108	939,244 ¹	1,020,352
2001	35,092	574,244	609,336
2002	29,447	526,523	555,970
2003	15,519	761,825	777,344
2004	23,288	669,046	692,334
2005	13,615	943,578	957,193
2006	13,234	1,396,830	1,410,064

Other Governmental Funds

Fiscal Year	Reserved	Unreserved, reported in			Total
		Special revenue funds	Capital project funds	Debt service fund	
1997	\$ -	\$ -	\$ -	\$ -	\$ -
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	4,127,124 ¹	-	-
2001	-	25,000	6,480,113	-	25,000
2002	11,508	-	1,136,219 ²	(161,550)	11,508
2003	20,891	-	45,838 ²	-	20,891
2004	-	30,420	163,063	-	30,420
2005	4,357	55,388	184,575	-	59,745
2006	7,711	152,349	302,938	-	160,060

Notes:

¹ The substantial decrease in the unreserved fund balance of the General fund and the increase of the Capital project fund's unreserved fund balance is due to a transfer between the funds in preparation of the building of the Paseo Verde Library.

² The substantial decreases in unreserved fund balance for the Capital project funds in 2002 and 2003 was due to the construction of the Paseo Verde Library.

HENDERSON DISTRICT PUBLIC LIBRARIES

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Property Taxes	\$ 1,008,155	\$ 1,151,001	\$ 1,490,531	\$ 1,669,637	\$ 1,909,674	\$ 2,345,304	\$ 2,905,118	\$ 3,293,633	\$ 3,771,189	\$ 4,655,583
Consolidated Taxes	933,151	1,179,354	1,196,944	1,276,983	1,347,777	1,364,450	1,464,332	1,670,242	1,894,157	2,247,532
Grants	-	134,805	83,585	70,467	38,698	199,876	129,358	134,474	129,726	110,334
Fines and forfeits	21,905	26,299	22,461	35,768	31,372	25,156	52,796	67,152	79,991	88,690
Contributions	9,807	6,411	1,375	50,965	1,458	1,120	58,575	13,549	44,248	72,930
Investment income	116,340	160,793	175,812	305,952	400,665	156,817	16,805	7,200	36,740	77,819
Other income	31,623	23,365	19,833	11,917	12,161	15,439	32,807	40,433	116,277	149,908
Total revenues	2,120,981	2,682,028	2,990,541	3,421,689	3,741,805	4,108,162	4,659,791	5,226,683	6,072,328	7,402,796
Expenditures										
Culture and recreation:										
Salaries and wages	553,425	667,741	693,343	958,455	1,165,379	1,456,951	2,048,297	2,333,571	2,548,833	2,845,551
Employee benefits	181,831	193,846	211,725	257,784	311,237	404,396	574,551	707,463	771,980	825,509
Services and supplies	283,110	384,106	393,491	623,595	675,140	890,137	1,148,956	955,340	1,167,490	1,697,349
Capital outlay	585,856	644,549	587,001	686,106	1,123,076	6,734,234	1,551,359	977,251	2,313,597	1,006,067
Debt Service:										
Interest	-	-	-	-	-	71,746	35,389	50,314	62,632	79,471
Principal	-	-	-	-	-	1,623,000	-	161,000	166,000	277,000
Administrative and other costs	-	-	-	-	-	-	17,924	-	300	300
Total expenditures	1,604,222	1,890,242	1,885,560	2,525,940	3,274,832	11,180,464	5,376,476	5,184,939	7,030,832	6,731,247
Excess of revenues over (under) expenditures	516,759	791,786	1,104,981	895,749	466,973	(7,072,302)	(716,685)	41,744	(958,504)	671,549
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	1,500,000	1,500,000	-	-	1,274,500	-
Proceeds from refunding	-	-	-	-	-	-	1,431,000	-	-	-
Payment to escrow agent	-	-	-	-	-	-	(1,412,389)	-	-	-
Total other financing sources (uses)	-	-	-	-	1,500,000	1,500,000	18,611	-	1,274,500	-
Net change in fund balances	\$ 516,759	\$ 791,786	\$ 1,104,981	\$ 895,749	\$ 1,966,973	\$ (5,572,302)	\$ (698,074)	\$ 41,744	\$ 315,996	\$ 671,549
Debt Service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	38.1%	1.4%	5.0%	4.9%	6.2%

Table 5

HENDERSON DISTRICT PUBLIC LIBRARIES

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal Property		Total		Percentage of Taxable	
	Assessed Value	Estimated Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value to Estimated Actual Taxable Value	Total Direct Tax Rate
1996-1997	\$1,632,159,250	\$4,663,312,143	\$ 229,078,030	\$ 654,508,657	\$1,861,237,280	\$5,317,820,800	35%	\$ 0.0500
1997-1998	1,930,339,020	5,515,254,343	333,550,820	953,002,343	2,263,889,840	6,468,256,686	35%	0.0500
1998-1999	3,089,688,469	8,827,681,340	401,393,092	1,146,837,406	3,491,081,561	9,974,518,746	35%	0.0500
1999-2000	2,964,174,450	8,469,069,857	333,963,140	954,180,400	3,298,137,590	9,423,250,257	35%	0.0500
2000-2001	3,330,800,880	9,516,573,943	392,340,610	1,120,973,171	3,723,141,490	10,637,547,114	35%	0.0502
2001-2002	4,115,403,345	11,758,295,271	521,985,090	1,491,385,971	4,637,388,435	13,249,681,243	35%	0.0507
2002-2003	4,913,407,352	14,038,306,720	559,208,170	1,597,737,629	5,472,615,522	15,636,044,349	35%	0.0531
2003-2004	5,650,278,349	16,143,652,426	526,698,452	1,504,852,720	6,176,976,801	17,648,505,146	35%	0.0533
2004-2005	6,551,394,060	18,718,268,743	567,766,392	1,622,189,691	7,119,160,452	20,340,458,434	35%	0.0533
2005-2006	9,866,711,823	28,190,605,209	617,491,635	1,764,261,814	10,484,203,458	29,954,867,023	35%	0.0533

Source: Clark County Assessor's Office

Note: Property is reassessed each year. The county assesses property at 35 percent of actual value. Estimated actual value is calculated by dividing assessed value by that percentage. Tax rates are per \$100 of assessed value.

HENDERSON DISTRICT PUBLIC LIBRARIES

**Property Tax Rates¹ - Direct and Overlapping Governments
Last Ten Fiscal Years**

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Direct										
Henderson District Public Libraries	0.0500	0.0500	0.0500	0.0500	0.0502	0.0507	0.0531	0.0535	0.0533	0.0533
Overlapping Governments										
State Wide:										
State of Nevada	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1700	0.1700	0.1700
County Wide:										
County Funds	0.6635	0.6635	0.6503	0.6579	0.6527	0.6352	0.6352	0.6502	0.6652	0.6575
School District	1.1935	1.3034	1.3034	1.3034	1.3034	1.3034	1.3034	1.3034	1.3034	1.3034
Cities:										
Henderson	0.7124	0.7035	0.7081	0.7040	0.7108	0.7108	0.7108	0.7108	0.7108	0.7108
Other Governments:										
Las Vegas Artesian Basin	0.0052	0.0034	0.0031	0.0026	0.0024	0.0022	0.0020	0.0018	0.0016	0.0013

Source: State of Nevada Department of Taxation's "Local Government Finance Redbook"

Note: ¹ Per \$100 of assessed value, constitutional limit is generally \$3.64 on any one area's combined tax rate.

Table 7

HENDERSON DISTRICT PUBLIC LIBRARIES
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2006		Fiscal Year 1997	
		Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Pulte Homes	Real Estate/Construction	\$ 248,260,628	2.37%	----	----
Focus Property Group	Real Estate/Construction	195,174,245	1.86%	----	----
Lake at Las Vegas Ventures	Hotel/Casino	138,141,784	1.32%	36,596,690	1.97%
Station Casinos Incorporated	Hotel/Casino	98,686,851	0.94%	----	----
Greenspun Companies	Real Estate/Construction	95,087,050	0.91%	----	----
Green Valley Ranch Gaming LLC	Hotel/Casino	67,284,819	0.64%	----	----
DR Horton Incorporated	Real Estate/Construction	45,871,270	0.44%	----	----
KB Homes Nevada Incorporated	Real Estate/Construction	38,047,889	0.36%	----	----
Basic Environmental Company LLC	Real Estate/Construction	36,599,549	0.35%	11,543,550	0.62%
Harsch Investments	Real Estate/Construction	33,887,918	0.32%	----	----
Oasis Residential Incorporated	Property Investment	----	----	27,907,820	1.50%
Levis Strauss & Company	Retail/Manufacturing	----	----	19,765,530	1.06%
Pacific Partnership #II	Property Investment	----	----	11,938,120	0.64%
Green Valley Investment Company	Real Estate/Construction	----	----	9,863,980	0.53%
Sentinel Ventures I	Real Estate/Construction	----	----	9,747,760	0.52%
Pacific Islands Apartments Incorporated	Property Investment	----	----	7,448,720	0.40%
American West Development Incorporated	Real Estate/Construction	----	----	7,312,060	0.39%
Eldorado Incorporated	Hotel/Casino	----	----	7,189,450	0.39%
Total Top Ten Principal Taxpayers		\$ 997,042,003	9.51%	\$ 149,313,680	8.02%
Total Assessed Valuation		\$ 10,484,203,458	100.00%	\$ 1,861,237,280	100.00%

Source: Clark County Assessor's Office

Table 8

HENDERSON DISTRICT PUBLIC LIBRARIES
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Collected within the Levy Year			Collections in Subsequent Years	Total Collections to Date	
	Levy	Percentage of the Levy			Amount	Percentage of the Current Levy ¹
		Amount				
1997	\$ 14,638,211	\$ 14,504,487	99.1%	\$ 51,280	\$ 14,555,767	99.4%
1998	16,980,505	16,792,486	98.9%	93,396	16,885,882	99.4%
1999	22,038,032	21,786,842	98.9%	212,908	21,999,750	99.8%
2000	25,322,606	25,029,900	98.8%	292,706	25,322,606	100.0%
2001	28,965,448	28,637,652	98.9%	327,796	28,965,448	100.0%
2002	34,106,224	33,664,830	98.7%	440,135	34,104,965	100.0%
2003	42,387,649	41,781,856	98.6%	604,851	42,386,707	100.0%
2004	48,014,946	46,919,703	97.7%	1,086,421	48,006,124	100.0%
2005 ²	54,426,433	54,065,416	99.3%	313,529	54,378,945	99.9%
2006	59,575,386	59,213,983	99.4%	-	59,213,983	99.4%

Notes:

¹ Figured on collectinos to net levy (actual levy less stricken taxes).

² Source: Clark County Treasurer's Office

Source: Clark County Comptroller's Office

Table 9

HENDERSON DISTRICT PUBLIC LIBRARIES

**Ratios of Outstanding Debt
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Population ¹	Debt per Capita	Personal Income ²	Debt as a Percentage of Personal Income	Estimated Actual Value of Taxable Property	Debt as a Percentage of Estimated Actual Value of Taxable Property
1997	\$ -	146,357	\$ -	*	*	\$ 5,317,820,800	0.00%
1998	-	159,332	-	*	*	6,468,256,686	0.00%
1999	-	176,670	-	*	*	9,974,518,746	0.00%
2000	-	190,512	-	*	*	9,423,250,257	0.00%
2001	-	199,695	-	*	*	10,637,547,114	0.00%
2002	1,377,000	210,850	6.53	*	*	13,249,681,243	0.01%
2003	1,431,000	223,070	6.42	*	*	15,636,044,349	0.01%
2004	1,270,000	235,292	5.40	*	*	17,648,505,146	0.01%
2005	2,378,500	243,897	9.75	*	*	20,340,458,434	0.01%
2006	2,101,500	257,838	8.15	8,836,009,011	0.02%	29,954,867,023	0.01%

*Information not readily available

Sources:

¹City of Henderson Community Development Department

²Applied Analysis, Las Vegas, NV

Note: Prior to Fiscal Year 2002, the District did not have any outstanding debt.

HENDERSON DISTRICT PUBLIC LIBRARIES

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2006**

	Governmental Activities Debt	Percentage Applicable to Henderson District Public Libraries	Amount Applicable to Henderson District Public Libraries
Direct			
Henderson District Public Libraries	\$ 2,101,500	100.00%	\$ 2,101,500
Overlapping			
Clark County	552,648,446	15.68%	86,655,276
Clark County School District	3,534,821,000	15.68%	554,259,933
City of Henderson	425,647,387	100.00%	425,647,387
Las Vegas Artesian Basin	-	0.00%	-
Total	<u>\$ 4,515,218,333</u>		<u>\$ 1,068,664,096</u>

Table 11

HENDERSON DISTRICT PUBLIC LIBRARIES

Debt Limit Information Last Ten Fiscal Years

Fiscal Year

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Assessed valuation	\$ 1,861,237,280	\$ 2,263,889,840	\$ 3,491,081,561	\$ 3,298,137,590	\$ 3,723,141,490	\$ 4,637,388,435	\$ 5,472,615,522	\$ 6,176,976,801	\$ 7,119,160,452	\$ 10,484,203,458
Debt limit - 10% of assessed value	186,123,728	226,388,984	349,108,156	329,813,759	372,314,149	463,738,844	547,261,552	617,697,680	711,916,045	1,048,420,346
Debt outstanding applicable to the limit	-	-	-	-	-	1,377,000	1,431,000	1,270,000	2,378,500	2,101,500
Legal debt margin	\$ 186,123,728	\$ 226,388,984	\$ 349,108,156	\$ 329,813,759	\$ 372,314,149	\$ 462,361,844	\$ 545,830,552	\$ 616,427,680	\$ 709,537,545	\$ 1,046,318,846
Legal debt margin as a percentage of debt limit	100.00%	100.00%	100.00%	100.00%	100.00%	99.70%	99.74%	99.79%	99.67%	99.80%

HENDERSON DISTRICT PUBLIC LIBRARIES

Demographic and Economic Information
Last Ten Fiscal Years

Fiscal Year	City of Henderson Population ¹	Personal Income ²	Per Capita Personal Income	Clark County Unemployment Rate ³	Clark County School Enrollment ⁴
1996-1997	146,357	*	*	5.00%	178,896
1997-1998	159,332	*	*	4.15%	190,822
1998-1999	176,670	*	*	4.70%	203,777
1999-2000	190,512	*	*	3.50%	217,139
2000-2001	199,695	*	*	4.40%	231,125
2001-2002	210,850	*	*	6.60%	244,684
2002-2003	223,070	*	*	5.60%	255,328
2003-2004	235,292	*	*	4.40%	268,357
2004-2005	243,897	*	*	4.00%	280,834
2005-2006	257,838	8,836,009,011	34,270	4.30%	291,510

*Information not readily available

Sources:

¹City of Henderson Community Development Department

²Applied Analysis, Las Vegas, NV

³Nevada Department of Employment Security

⁴Clark County School District (4th Week) - Public School Enrollment Only

HENDERSON DISTRICT PUBLIC LIBRARIES

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2006			Fiscal Year 1997		
	Employees ¹	Rank	Percentage of Total City Employment	Employees ²	Rank	Percentage of Total City Employment
City of Henderson	2,500-2,999	1	2.17%-2.60%	1,694	2	*
St. Rose Dominican Hospital	2,000-2,499	2	1.73%-2.17%	760	3	*
Sunset Station Hotel & Casino	1,500-1,999	3,4	1.30%-1.73%	2,010	1	*
Green Valley Ranch Gaming LLC	1,500-1,999	3,4	1.30%-1.73%			----
Fiesta Lake Mead Station	800-899	5	.69%- .78%			----
Medco Health LLC	600-699	6,7	.52%- .61%			----
Walmart Super Center	600-699	6,7	.52%- .61%			----
Bravo Undergrand Inc	500-599	8,9,10	.43%- .52%			----
Ritz-Carlton Hotel Company LLC	500-599	8,9,10	.43%- .52%			----
Titanium Metals Corporation	500-599	8,9,10	.43%- .52%	657	4	*
Good Humor Breyers			----	539	5	*
Ethel M Chocolates			----	397	6	*
Levi-Strauss & Co.			----	375	7	*
El Dorado, Inc.			----	311	8	*
Railroad Pass			----	304	9	*
Skyline Restaurant & Casino			----	291	10	*
Total	11,000-13,590		9.52%-11.79%	2,874		*
Total City Employment ¹	\$ 115,392			*		

* Information not readily available

Sources:

¹ Applied Analysis, Las Vegas, Nevada

² City of Henderson Finance Department

HENDERSON DISTRICT PUBLIC LIBRARIES

Full-Time Equivalent Employees by Function
Last Seven Fiscal Years¹

	Full-time Equivalent Employees as of June 30						
	2000	2001	2002	2003 ²	2004	2005	2006
Library Services							
Reference	5.0	5.0	6.0	9.0	10.0	10.5	11.0
Circulation	11.5	13.5	14.5	22.5	23.0	24.5	26.0
Outreach ³	----	----	----	----	----	----	3.0
Youth Services	5.0	6.0	6.5	10.5	11.5	12.5	11.0
Acquisitions and Bibliographic Services	3.0	3.0	6.0	5.0	6.0	6.0	6.5
Administration	6.5	6.0	7.5	10.5	10.5	11.0	12.5
Information Technology	1.0	2.5	4.0	4.0	4.0	4.5	4.5
Total	32.0	36.0	44.5	61.5	65.0	69.0	74.5

Notes:

¹Prior to fiscal year 2000, HDPL did not prepare a Comprehensive Annual Financial Report, therefore, this information is not readily available.

²The Paseo Verde Library was completed and opened at the beginning of fiscal year 2003.

³The outreach department was established in the beginning of fiscal year 2006 with the purchase of a bookmobile.

Table 15

HENDERSON DISTRICT PUBLIC LIBRARIES

**Library Materials and Circulation Summary
Last Ten Fiscal Years**

Fiscal Year	Items Owned	Cost of		Net Book Value of Collections ¹	Number of Items Circulated	Turnover Rate ²
		Total Collection	New Acquisitions			
1996-1997	140,625	1,832,780	414,900	*	345,748	2.46%
1997-1998	158,279	2,167,810	590,985	*	390,130	2.46%
1998-1999	170,607	2,641,135	535,835	*	410,841	2.41%
1999-2000	182,776	2,971,413	550,018	*	452,322	2.47%
2000-2001	197,605	3,221,420	557,373	*	513,131	2.60%
2001-2002	235,407	3,674,474	748,504	*	533,516	2.27%
2002-2003	261,191	4,334,785	724,960	1,691,100	685,356	2.62%
2003-2004	288,983	4,884,121	849,746	2,092,249	855,713	2.96%
2004-2005	306,332	5,506,595	866,858	2,452,070	907,082	2.96%
2005-2006	333,482	6,284,267	1,011,146	2,850,647	956,974	2.87%

* Information not readily available

Notes:

¹ GASB Statement 34, implemented in 2003, requires that capital assets be depreciated. HDPL's collection of books and materials is considered a capital asset. Net book value represents total acquisition cost of circulating materials less depreciation to date.

² Turnover rate is the number of times an item is checked out. This is an average of publicly circulating items in the total collection.

Table 16

HENDERSON DISTRICT PUBLIC LIBRARIES

**Circulation by Location
Last Ten Fiscal Years**

Fiscal Year	James I. Gibson Library	Lydia Malcolm Library	Paseo Verde Library ¹	Pittman Library	Remote Services ²	Total
1996-1997	*	*	----	*	----	345,748
1997-1998	*	*	----	*	----	390,130
1998-1999	*	*	----	*	----	410,841
1999-2000	*	*	----	*	----	452,322
2000-2001	348,497	159,723	----	4,911	----	513,131
2001-2002	372,104	155,648	----	5,764	----	533,516
2002-2003	314,636	49,753	315,597	5,379	----	685,365
2003-2004	334,824	39,589	475,171	6,129	----	855,713
2004-2005	353,951	40,285	501,877	9,763	1,206	907,082
2005-2006	330,610	80,003	536,341	8,251	1,769	956,974

*Information not readily available

Notes:

¹The Paseo Verde Library opened in the beginning of fiscal year 2003.

²Remote Services includes e-books, remote deposit collections and the bookmobile. E-books became available in fiscal year 2005. The remote deposit collections and the bookmobile began operations at the end of fiscal year 2006.

Table 17

HENDERSON DISTRICT PUBLIC LIBRARIES

Service Location Information Last Ten Fiscal Years		Current Status	Current Address	Square Footage as of Fiscal Year-End																		
				1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06									
<u>LIBRARIES</u>																						
James I Gibson Library	280 S Water St Henderson, NV 89015	O		16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850	16,850
Lydia Malcolm Library	80 N Pecos, Suite H Henderson, NV 89074	L		----	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409	6,409
	2960 Sunridge Heights Pkwy Henderson, NV 89074	O		----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	4,030	4,030	4,030
Paseo Verde Library	280 S Green Valley Pkwy Henderson, NV 89012	O		----	----	----	----	----	----	----	----	----	----	----	----	----	43,313	43,313	43,313	43,313	43,313	43,313
Pittman Library	1680 Moser Henderson, NV 89015	L		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<u>SUPPORT SERVICES</u>																						
Administrative/Acquisitions & Bibliographic Services	115 S Water Street Henderson, NV 89015	L		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
	280 S Green Valley Pkwy Henderson, NV 89012	O		----	----	----	----	----	----	----	----	----	----	----	----	5	5	5	5	5	5	5
Information Technology Services	280 S Green Valley Pkwy Henderson, NV 89012	O		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
O=Owned, L=Leased																						

Notes:

¹The reduction in square footage is due to a portion of the facility being subleased to the State of Nevada's Talking Books Program. The remaining square footage was retained for library use.

²The District purchased a 6,030 square foot building in which the Malcolm Library was relocated. Of the 6,030 square feet, 2,000 square feet was allocated to the Talking Books program, leaving the indicated square footage for library services.

³Square footage for this location is included in the James I. Gibson Library.

⁴The District temporarily leased a location for the Administrative services and Acquisitions & Bibliographic services.

⁵Square footage for this location is included in the Paseo Verde Library.

Table 18

HENDERSON DISTRICT PUBLIC LIBRARIES

Percentage of General Fund Operating Expenditures Spent on Library Books and Materials

Last Ten Fiscal Years

	1996-1997	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005 ¹	2005-2006
Total General Fund Expenditures	\$ 1,604,222	\$ 1,885,560	\$ 2,525,940	\$ 2,788,421	\$ 3,362,853	\$ 4,263,748	\$ 4,722,017	\$ 4,957,007	\$ 5,861,872
Less Capital Outlay Other Than Books	(160,992)	(26,610)	(136,088)	(97,924)	(54,435)	(94,924)	(100,025)	(6,472)	(45,565)
Less Other Grant Expenditures:									
Library Books and Materials	-	-	-	-	-	(10,920)	(10,932)	-	-
Other Noncapital Expenditures	-	-	-	-	-	(15,132)	-	-	-
Less State Grant Expenditures:									
Library Books and Materials	-	(83,585)	(40,535)	(37,535)	(75,943)	-	(1,060)	-	-
Other Noncapital Expenditures	-	-	-	-	-	-	(4,979)	-	-
Less Federal Grant Expenditures:									
Library Books and Materials	-	-	-	-	(92,946)	(9,131)	(20,357)	(419)	-
Other Noncapital Expenditures	-	-	(5,000)	(1,163)	(12,626)	(61,787)	(14,106)	(1,790)	-
Total General Fund Operating Expenditures	\$ 1,443,230	\$ 1,775,365	\$ 2,344,317	\$ 2,651,799	\$ 3,126,903	\$ 4,071,854	\$ 4,570,558	\$ 4,948,326	\$ 5,816,307
Total Library Books and Materials	\$ 424,864	\$ 560,391	\$ 550,018	\$ 557,373	\$ 748,503	\$ 630,956	\$ 750,429	\$ 787,602	\$ 876,886
Less Other Grant Book Expenditures		-	-	-	-	(10,920)	(10,932)	-	-
Less State Grant Book Expenditures		(83,585)	(40,535)	(37,535)	(75,943)	-	(1,060)	-	-
Less Federal Grant Book Expenditures		-	-	-	(92,946)	(9,131)	(20,357)	(419)	-
Total Operating Library Books and Materials	\$ 424,864	\$ 476,806	\$ 509,483	\$ 519,838	\$ 579,614	\$ 610,905	\$ 718,080	\$ 787,183	\$ 876,886
Percentage of Total General Fund Operating Expenditures	29.44%	26.86%	21.73%	19.60%	18.54%	15.00%	15.71%	15.91%	15.08%

Notes:

¹The Contributions and Grants Fund was created in fiscal year 2005. Grants awarded after fiscal year 2004 are recorded in this new fund and are therefore not recorded on this schedule.

INDEPENDENT ACCOUNTANT'S REPORT





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report

To the Board of Trustees of Henderson District Public Libraries
Henderson, Nevada

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified funds are being used expressly for the purposes for which they were created,
- The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- The reserved fund balances in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2006 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements,
- The funds conform to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2006,
- The net assets and fund balances of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of the Henderson District Public Libraries.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management, referred to above, is not fairly stated in all material respects.

Kafoury, Armstrong & Co.

Reno, Nevada
October 12, 2006

AUDITOR'S COMMENTS



**HENDERSON DISTRICT PUBLIC LIBRARIES
AUDITOR'S COMMENTS
JUNE 30, 2006**

STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

HDPL conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2005.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2005.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report.