

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2014

WITH

Independent Auditors' Report

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2014

WITH

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Campbell County Public Library District Board of Trustees, Inc.
Cold Spring, Kentucky**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Campbell County Public Library District Board of Trustees, Inc. as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Administrative Expense Detail is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Administrative Expense Detail has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

Ft. Wright, Kentucky
November 7, 2014

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

A. The Current State of Campbell County

Steady and slow growth is still the rule for Campbell County, as well as nationally.

South

The southward expansion of Highway 27 continues along the stretch just south of the Library's proposed South Branch location. There is movement from Sanitation District 1 to expand their sewer lines along the AA Highway/Kentucky 9 corridor which has been met with resistance in the historic Camp Spring area of the county. A major construction project by the Baptist Life Center will bring more senior living, assisted living, and nursing home care units into Alexandria. The Arcadia subdivision in Alexandria has about a dozen homes under construction.

Mid-County

A 150 occupancy transitional medical care facility for seniors is now open in the Cold Spring area. The retail and office space units that sat vacant in the post-2008 period have, for the most part, been filled.

North

There has been no further development on either the I-471 Corridor Study or the I-471/Kentucky Route 8 Project. Debates, quite heated, continue about the replacement of the Brent Spence Bridge in Kenton County which could greatly impact travel across the I-471 bridge into Ohio.

There was major road work in Newport to fix problems with stormwater drainage near the Newport Pavillion area along Carrothers Road. That has greatly improved traffic flow near the shopping complex.

There has been no activity on the Newport Ovation project. Construction of some homes has begun in the Manhattan Harbour Project in Dayton.

There is talk of a hotel in the Levee area of Newport. Actual construction has not begun.

B. The Current State of the Library's Finances

Overview of the Financial Statements

This management discussion and analysis serves as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Government-wide financial statements. The government-wide financial statements are designed to report information about the overall finances of the Library in a manner similar to a private sector business. They are designed to show a longer term view of the Library's finances.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate fiscal accountability. The Library uses two funds – general operating fund and capital projects fund – to provide more detailed information about the Library's most significant funds rather than the Library as a whole.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

Budget Approval

The Library is required by state regulations to create a balanced budget each fiscal year. The Library's budget for FY2013-14 was approved by the Board of Trustees on May 21, 2013. Because of uncertainty in the Library's tax rate, the Board considered two budget versions. One version projected income and expenditures with a tax rate and tax revenue based on the 2012 tax rates. The other version based income and expenditures on lowering rates to the levels passed by petition in 1978. The Board passed only the version with the 2012 tax rates and resulting revenue. The Kentucky Court of Appeals ordered on September 17, 2013 that the Library's tax rates remain at the 2012 levels through the course of the litigation against the Library. The Library's fiscal year began on July 1, 2013 and ended on June 30, 2014.

Budgeted Income

The Library's budgeted income for FY2013-14 was \$4,660,045. The bulk of this anticipated income came from locally assessed taxes (\$4,362,000 or 93.6%). Other components of the Library's income included:

- Donations (\$31,000, 0.67%);
- Grants and State Aid (\$169,045, 3.63%);
- Other Income (\$4,000, 0.09%);
- Service charges (\$94,000, 2.02%).

Tax Rates

On August 20, 2013, the Board of Trustees adopted the following tax rates:

- 7.7 cents per \$100 for Real Estate;
- 9.4 cents per \$100 for Personal Property (actually business inventory);
- 2.6 cents per \$100 for motor vehicles and watercraft.

In accordance with the September 17, 2013 order from the Kentucky Court of Appeals, these rates are equal to the rates set in 2012. These rates, by the same order, will remain in effect over the course of the litigation against the Library filed on January 19, 2012.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Budgeted Expenditures

Budgeted expenditures for FY2013-14 were \$4,660,045. Budgeted expenditures were broken down into:

- Capital Expenditures (\$218,100, 4.68%);
- Collection Expenditures [books, audiovisuals and other circulating materials] (\$710,000, 15.24%);
- Operating Expenditures (\$1,097,545, 23.55%);
- Personnel Expenditures (\$2,634,400, 56.53%).

Actual Income/Expenditures – Governmental Funds

Actual income for the Library was \$4,808,094. Income exceeded budgeted expectations by 3.18%. The bulk of the overage in income is attributable to an unexpected increase in tax revenue (approximately \$91,700) from all sources.

Actual expenditures were \$4,441,208 or 4.7% below expectations. Unspent collection development funds were rolled into a certificate of deposit for the future South Branch. Other unspent funds, as always, become a part of the operating budget for the following fiscal year until the new property tax income is received. The Library continues to maintain about \$1,000,000 in reserves.

Library Indebtedness

The Library has one loan outstanding which will mature in 2021. The original debt was \$2.6 million. The loan carries an interest rate of 2.74% which is fixed for the life of the loan. Annual payments are \$296,959. After the last payment on January 10, 2014, the remaining balance is \$1,868,402.

The Library continues to receive a loan amortization grant for the construction of the facility in Newport. The grant is provided through a program that runs through the Kentucky Department for Libraries and Archives. The Library receives \$114,043 annually through 2020 for the reduction of debt for that building.

Financial Analysis of the Library as a Whole

The Library's net position increased between this fiscal year and the previous year by \$402,538 or 5%. Approximately 67% of the Library's assets are invested in capital assets. The vast majority (93%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equaled \$335,431 or 7% of total revenue. Table 1 shows the net position and Table 2 shows the change in net position for this fiscal year and the previous year.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

**Table 1
Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>
Current and other assets	\$ 3,633,667	\$ 3,259,641
Capital assets	<u>7,232,072</u>	<u>7,426,407</u>
Total Assets	<u>10,865,739</u>	<u>10,686,048</u>
Long-term liabilities	1,934,407	2,173,727
Other liabilities	<u>228,868</u>	<u>212,395</u>
Total Liabilities	<u>2,163,275</u>	<u>2,386,122</u>
Invested in capital assets, net of debt	5,363,670	5,318,794
Restricted	405,468	287,075
Unrestricted	<u>2,933,326</u>	<u>2,694,057</u>
Total Net Position	<u>\$ 8,702,464</u>	<u>\$ 8,299,926</u>

**Table 2
Change in Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>
REVENUES		
Program Revenues		
Charges for services	\$ 109,401	\$ 115,854
Operating grants and contributions	111,715	88,703
Capital grants and contributions	114,315	272,508
General Revenues		
Taxes – real estate, property and motor vehicle	4,453,683	4,465,005
Investment earnings	4,890	4,737
Miscellaneous	3,502	2,033
Loss on disposal of capital assets	<u>(5,136)</u>	<u>(1,562)</u>
Total Revenues	<u>4,792,370</u>	<u>4,947,278</u>
PROGRAM EXPENSES		
Personnel	2,612,991	2,575,228
Depreciation	804,488	799,685
Administrative	376,633	423,929
Maintenance and repair	164,209	151,448
Programming and PR expense	200,589	160,754
Interest	54,796	64,322
Periodicals and online databases	164,639	159,445
Small equipment purchases	<u>11,487</u>	<u>10,683</u>
Total Expenses	<u>4,389,832</u>	<u>4,345,494</u>
INCREASE IN NET POSITION	<u>\$ 402,538</u>	<u>\$ 601,784</u>

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Financial Outlook

The Library maintains a "reserve" of about \$1,000,000 now that would, if necessary, allow us to weather a small crisis or short delay in tax payments. (The carryover funds from one fiscal year to the next are not "reserves" as they must sustain library operations from July 1 through December when the large property tax payment is received. The largest bulk of the Library's entire budgeted income is received between December and February. The "reserve" estimated here is based on funds that remain just before the December property tax payments are received by the Library.)

The lawsuit against the Library has not been resolved over the past year. Campbell County Circuit Court ruled in April 2013 that the Library was improperly adjusting its tax rate using KRS 132. The case has now moved to the Kentucky Court of Appeals. The Court of Appeals granted the Library's motion for intermediate relief in September 2013. This ruling allows the Library to maintain its current tax rates (7.7 per \$100 of valuation for Real Property, 9.4 cents per \$100 for Personal Property, and 2.6 cents per \$100 for Motor Vehicles and Watercraft) through the course of the appeal. The lawsuit was fully briefed by the Library's attorneys and the opposing attorneys by January 2014. As of November 2014, the Court has not issued a decision.

The litigation was originally filed on January 19, 2012 in Campbell County Circuit Court. The plaintiffs, briefly, accuse the Library of improperly raising its tax rate beyond the rate of 3.0 cents per \$100 of property value that was set in 1978 under KRS 173. The Library has adjusted its rate in accordance with the statutes contained in KRS 132, commonly referred to as "House Bill 44." The lawsuit is a class action filed on behalf of Charles Coleman, Erik Hermes, and John P. Roth, Jr. who claim to represent all of the taxpayers in the county. If successful, the loss of income for the Library would be insurmountable in terms of maintaining current levels of service. Our existing debts would be repaid, as required by law, but branches would close, staff would lose their jobs, and services would be eliminated or seriously curtailed. The Library has legal defense coverage through KACo, which has agreed to provide defense.

C. The Current State of the Library

Overall, the Library continues to improve its services. We've had great success in some areas (the number of visits to the Library was the second highest ever in FY2013-14 with 656,000 visits) and see the inevitable changes in other areas (circulation of e-materials was also the highest ever in FY2013-14 with 39,098 circulations) and the use of the public wireless network (highest ever usage at 28,350 logins). Circulation, overall, remains strong for a county of 90,000 residents.

Staffing

Salary increases in FY2013-14 were based on 2% of midpoint for the staff member's classification.

The Library replaced two full time positions in computer/network support with one full-time position. We hired a Digital Marketing Manager who has taken care of our website, social media presence, and enhanced our digital signage in the branches. Four part-time positions were adjusted to full-time (in collection development and programming).

Going in to FY 2014-15, we have added a new benefit for part-time staff: approximately 20 hours of possible paid time off when the employee maintains an average schedule of 18 hours of work per week. We also revamped our employee classification schedule to reduce and clarify the positions in the Library. Additionally, full-time staff may now only accumulate up to 480 hours of sick leave, a reduction from 960 hours of possible accrual. Staff who were over the 480 hour limit were allowed to maintain their current level of sick leave without further accrual. Last, positions that were classified as "exempt" were examined and the number of positions that were classified as such was reduced.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Facilities

The Library has not begun construction for the South Branch. At this time, the plans for this building have been indefinitely delayed. The capital campaign continues to collect funds (with a great deal of success) from people who pledged over a five year period. One major donor (\$50,000 pledged) will not, however, continue meeting his pledge until there is a solid plan to begin construction. Currently, there is about \$90,000 in the fund for the new facility.

The Newport Branch had a major upgrade to its heating and cooling system in the spring of 2014 with the addition of a centralized, web-based control and monitoring interface. All of the building's 23 water-source heat pumps and related equipment are now controlled by one interface. It's a great improvement.

The Library is now planning improvements to the parking lot and roof/gutters at Newport. Additionally, the outside geothermal well pump has reached the end of its expected operational life and will be replaced in FY2014-15. The Library will have to use some of its reserves to pay for these projects.

Along with the Newport projects, the Board has also recently authorized work to change the flow of traffic in the Cold Spring parking lot and, hopefully, add some additional parking.

Collection

The Library closed the Cold Spring location for one day in August 2014 to inventory both its materials collection and fixed assets. No significant issues were found in either inventory.

The digital collection continues to grow in popularity. The Library re-purposed funds that were designated for the South Branch collection in its regular operating budget and cashed one certificate of deposit in order to provide extra funds for building a collection of materials that is available only to Campbell County Public Library cardholders. The result has been a vastly improved responsiveness for our own cardholders.

The Library does, however, maintain its participation in the Kentucky Libraries Unbound consortium. The total collection size available to Campbell County cardholders is now over 100,000 items.

The Library will cease to set aside books for the South Branch and will be weeding the collection of materials that had been built previously. The fiction titles, for the most part, will remain, but nonfiction titles will be likely to be too outdated for any collection by the time the new facility is in operation.

We have completed a year of analysis using the CollectionHQ system that we implemented last year. The results have been startling. The Library's physical collection was greatly reduced (most aggressively at the Fort Thomas location) by about 20,000 items. Most of the reduction came from an analysis of items that had not circulated in quite some time. Other items were moved from one location (where circulation was low) to a different location. The change in location was enough to produce greatly increased circulation for the individual items.

Operations

In the fall of 2013, we began photographing patrons to have a visual reference in our computer system to identify the cardholder. The Library conducted an "amnesty period" for fines and overdue items in the fall of 2013 in preparation for the implementation of this project. There has been little problem with the new system and many patrons returned to using the Library after their outstanding fines and fees were resolved.

We realized in the spring of 2014 that cardholders who were no longer active library users were not being deleted from the system as expected. Because of that lapse, the number of cardholders had grown to nearly 66,000. After the patron records were purged of inactive borrowers, the number of cardholders was reduced to 54,000 which is more in line with the number of cardholders in previous years.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Technology

As part of the cycle of equipment replacement, the circulation computers at all branches and in technical services were replaced in 2014.

The Library also increased its total available bandwidth to 100mbs that is shared between all three locations. The bandwidth increase was accompanied by a complete replacement of the network equipment at all three locations. In the fall of 2014, the public network will be completely segregated from the staff side. This change will allow the Library to limit the bandwidth available to the public so that high demand on the patron side will not interfere with the Library's own network operations.

In the spring of 2014, the Library also revised its credit card payment operations. New regulations regarding the acceptance of credit card payments required that the Library migrate to new credit card scanners, a segregated network for credit card purchases, and the elimination of all credit card data from the Library's own computer system. A corresponding upgrade to the Library's integrated library system (Polaris) was also required.

Also in the spring of 2014, the Library began offering a printing solution for patrons using the Library's wireless network or who wish to print a document from home on the Library's printers. The new system allows scanning and fax services as well.

The Library implemented a new "whole server" backup system in the late winter of 2014. The new backup system copies the entire server, including the operating system, which allows for a "bare metal recovery" of any server that suffers catastrophic failure. These backup devices are located at the Newport location and the Fort Thomas location.

D. Statistical Analysis of Library Use

Circulation

Circulation is one of the measures of a Library's use. In Kentucky, the combined circulation of all public libraries increased by 1.2% for FY2012-13. (Source: *Statistical Report of Kentucky Libraries 2012-13*. This is the most current data available.) The Campbell County Public Library continues to see some weakening in the circulation of physical items. The remarkable rise in the circulation of e-materials offsets these decreases somewhat. Other areas of statistical performance of the Library (program attendance, library visits, meeting room use, for example) do not correlate with the decrease in circulation. The Campbell County Public Library ranks fifth in the state total circulation.

	2012-13	2013-14	% Change
<i>Adult Fiction</i>	148,563	149,215	0.44
<i>Adult Nonfiction</i>	170,339	169,960	-0.22
<i>Juvenile Fiction</i>	188,877	187,218	-0.88
<i>Juvenile Nonfiction</i>	37,007	35,906	-2.98
<i>Videos/DVDs</i>	346,179	355,798	2.78
<i>Audios</i>	31,716	31,021	-2.19
<i>Music</i>	55,124	54,632	-0.89
<i>Software</i>	18,352	19,603	6.82
<i>E-materials</i>	23,881	39,098	63.72
Total	1,020,038	1,042,451	2.20

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Collection

The size of the collection is one determinant of a library's ability to meet the needs of its community. In addition to a physical collection, the Library also maintains a collection of e-materials as a part of the Kentucky Libraries Unbound consortium. Most of these titles are shared among member libraries; however, some are available only to Campbell County Public Library cardholders.

	2012-13	2013-14	% Change
<i>Adult Fiction</i>	54,717	48,386	-11.57
<i>Adult Nonfiction</i>	52,910	43,842	-17.14
<i>Juvenile Fiction</i>	69,745	65,534	-6.04
<i>Juvenile Nonfiction</i>	31,176	26,368	-15.42
<i>Videos/DVDs</i>	24,542	24,785	0.99
<i>Audiobooks</i>	10,565	10,950	3.64
<i>Music</i>	14,885	14,782	-0.69
<i>Software</i>	1,383	1,414	2.24
<i>E-materials</i>	87,961	107,106	21.77
Total	347,884	343,167	-1.36

Patron visits

Patron visits are measured at each branch of the Library by use of electronic scanners. In Kentucky, patron visits for all public libraries decreased by 2.8% for FY2012-13. (Source: *Statistical Report of Kentucky Libraries 2012-13*. This is the most current data available.) The Campbell County Public Library ranks fifth in the state for the total number of annual visits.

	2012-13	2013-14	% Change
<i>Cold Spring</i>	229,624	214,882	-6.42
<i>Carrico/Fort Thomas</i>	214,875	211,356	-1.64
<i>Newport</i>	237,202	229,973	-3.05
Total	681,701	656,211	-3.74

Programming

Programming is provided by the Library as a community service and to encourage the use of the Library. The total number of programs offered, for all age ranges, and the attendance for those programs is provided below.

Attendance

	2012-13	2013-14
<i>Cold Spring</i>	14,353	12,374
<i>Carrico/Fort Thomas</i>	9,975	12,089
<i>Newport</i>	16,385	15,467
Total	40,713	39,930

Programs

	2012-13	2013-14
<i>Cold Spring</i>	697	697
<i>Carrico/Fort Thomas</i>	670	692
<i>Newport</i>	641	597
Total	2,008	1,986

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Director, Campbell County Public Library, 3920 Alexandria Pike, Cold Spring, KY 41076 or by calling 859-781-6166. The Library follows the procedures outlined in KRS 61.870 in satisfying open records requests.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

STATEMENT OF NET POSITION

June 30, 2014

	Primary Government
	Governmental Activities
- ASSETS -	
Cash and cash equivalents	\$ 3,176,194
Certificates of deposit	255,016
Accounts receivable	6,505
Pledges receivable	71,394
Taxes receivable	36,131
Prepaid expenses	88,427
Capital assets, net of accumulated depreciation	7,232,072
Total assets	10,865,739
- LIABILITIES -	
Accounts payable	70,159
Salaries and benefits payable	134,392
Accrued interest payable	24,317
Long-term liabilities:	
Due within one year	245,764
Due in more than one year	1,688,643
Total liabilities	2,163,275
- NET POSITION -	
Invested in capital assets, net of related debt	5,363,670
Restricted for South Branch collection	405,468
Unrestricted	2,933,326
Total net position	\$ 8,702,464

The accompanying notes are an integral part of this statement.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Governmental Activities	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Personnel	\$ 2,612,991	-	\$ -	\$ (2,612,991)
Depreciation	804,488	-	-	(804,488)
Administrative expenses	376,633	-	-	(376,633)
Maintenance and repair	164,209	-	-	(164,209)
Programming and PR expense	200,589	-	-	(200,589)
Interest expense	54,796	-	-	(54,796)
Books, periodicals and online databases	164,639	-	-	(164,639)
Small equipment purchases	11,487	-	-	(11,487)
Revenue	-	109,401	111,715	335,431
Total governmental activities	4,389,832	109,401	111,715	(4,054,401)
GENERAL REVENUES:				
Taxes:				
Property taxes, levied for general purpose				4,453,683
Investment earnings				4,890
Miscellaneous				3,502
Loss on disposal of capital assets				(5,136)
Total general revenues				4,456,939
Change in net position				402,538
NET POSITION, BEGINNING				8,299,926
NET POSITION, ENDING				\$ 8,702,464

The accompanying notes are an integral part of this statement.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General	Capital Projects	Total Governmental Funds
- ASSETS -			
Cash and cash equivalents	\$ 3,097,136	\$ 79,058	\$ 3,176,194
Certificates of deposit	-	255,016	255,016
Accounts receivable	6,505	-	6,505
Pledges receivable	-	1,891	1,891
Taxes receivable	36,131	-	36,131
Prepaid expenditures	88,427	-	88,427
Total assets	\$ 3,228,199	\$ 335,965	\$ 3,564,164
 - LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accounts payable	\$ 70,159	\$ -	\$ 70,159
Salaries and benefits payable	134,392	-	134,392
Accrued interest payable	24,317	-	24,317
Total liabilities	228,868	-	228,868
FUND BALANCES:			
Nonspendable	88,427	-	88,427
Committed	-	335,965	335,965
Unassigned	2,910,904	-	2,910,904
Total fund balances	2,999,331	335,965	3,335,296
Total liabilities and fund balances	\$ 3,228,199	\$ 335,965	\$ 3,564,164

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total Governmental Fund Balances		\$ 3,335,296
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Pledges not received within sixty days of the end of the current fiscal period are not reported as assets in the governmental funds.		69,503
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	\$ 12,444,522	
Accumulated depreciation	<u>(5,212,450)</u>	
		7,232,072
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Due within one year	245,764	
Due in more than one year	<u>1,622,638</u>	
		(1,868,402)
Accrued compensation not due in the current year is recorded as long-term debt.		<u>(66,005)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 8,702,464</u></u>

The accompanying notes are an integral part of this statement.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

Year Ended June 30, 2014

	General	Capital Projects	Total Governmental Funds
REVENUES:			
Property taxes	\$ 4,453,683	\$ -	\$ 4,453,683
Library fines and fees	109,401	-	109,401
Donations	28,958	10,860	39,818
Grants	196,800	-	196,800
Investment earnings	4,890	-	4,890
Miscellaneous income	3,502	-	3,502
Total revenues	<u>4,797,234</u>	<u>10,860</u>	<u>4,808,094</u>
EXPENDITURES:			
Salaries and benefits	2,340,414	-	2,340,414
Retirement	272,687	-	272,687
Books and library materials	639,776	-	639,776
Debt service	294,006	-	294,006
Programming and PR expense	200,589	-	200,589
Utilities	121,535	-	121,535
Maintenance and repair	116,764	-	116,764
Contracted computer service	74,808	-	74,808
Insurance	46,546	-	46,546
Library and office supplies	31,751	-	31,751
Legal and professional services	35,819	-	35,819
Staff development and training	32,269	-	32,269
Travel	18,138	-	18,138
Telephone	23,057	-	23,057
Postage	19,794	-	19,794
Miscellaneous	5,602	-	5,602
Association dues	4,735	-	4,735
Delivery van	3,894	-	3,894
Board activities	4,131	-	4,131
Capital outlay	-	154,893	154,893
Total expenditures	<u>4,286,315</u>	<u>154,893</u>	<u>4,441,208</u>
Excess revenues (expenditures)	<u>510,919</u>	<u>(144,033)</u>	<u>366,886</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital assets	-	1,255	1,255
Transfers in	-	271,758	271,758
Transfers out	(271,758)	-	(271,758)
Net other financing sources (uses)	<u>(271,758)</u>	<u>273,013</u>	<u>1,255</u>
Net change in fund balances	239,161	128,980	368,141
FUND BALANCES, BEGINNING	<u>2,760,170</u>	<u>206,985</u>	<u>2,967,155</u>
FUND BALANCES, ENDING	<u>\$ 2,999,331</u>	<u>\$ 335,965</u>	<u>\$ 3,335,296</u>

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

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

Year Ended June 30, 2014

Net Change in Fund Balance-Total Governmental Funds \$ 368,141

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

Long-term pledges receivable are not recorded in the governmental funds but are reported as revenue in the Statement of Activities. This is the amount of long-term pledges receivable in the current period. (10,588)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlay for capital assets	\$ 616,544	
Depreciation expense	(804,488)	
Proceeds from sale of capital assets	(1,255)	
Loss on disposal of capital assets	<u>(5,136)</u>	
		(194,335)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal portion of current year debt service 239,210

Net difference in accrual for accrued compensation (long term) 110

Change in Net Position of Governmental Activities \$ 402,538

The accompanying notes are an integral part of this statement.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Campbell County Public Library District Board of Trustees, Inc. (the District) was organized under Kentucky Revised Statute 173.710 to offer library services and related programs and to promote literacy within the Campbell County, Kentucky area. The District provides services through three branches and is a political subdivision of the Commonwealth of Kentucky with the power to levy taxes. It is also a 501(c) (3) organization under the Internal Revenue Code.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basis of Presentation and Basis of Accounting

District-Wide Financial Statements – The statement of net position and the statement of activities provide information about the District as a whole. These statements include the financial activities of the District (the primary government). The statements distinguish between those activities of the District that are governmental and those that are considered general capital asset activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues for the District's activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

District-Wide financial statements measure and report all assets (both financial and capital), liabilities, revenues and expenses using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Projects Fund – This fund accounts for the financial resources and expenditures for capital projects.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Fund Balance

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

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – includes amounts that can be spent only for the specific purposes stipulated by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.

Committed – includes amounts that can be used for specific purposes pursuant to constraints imposed by the Board of Trustees.

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – includes amounts that are available for any purpose and has not been restricted, committed or assigned to specific purposes.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

Capital Assets

All capital assets are stated at historical costs or estimated cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated.

When capital assets are purchased, they are capitalized and depreciated in the District-Wide statements. The District capitalizes all assets with a cost of \$750 or greater and a useful life of at least three years. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Collection	4-6 years
Furniture, Fixtures and Equipment	4-15 years
Buildings	39 years
Building improvements	7-15 years

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Interfund Transactions and Transfers

During the course of normal operations, the District has various transactions among its funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various projects accounted for in the capital projects fund in accordance with budgetary authorizations. The accompanying financial statements generally reflect such transactions as transfers. These transfers are eliminated in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 2 - BUDGETS

Each fiscal year a budget of estimated revenues and expenditures is prepared. The District prepares its budgets using the cash basis of accounting. The annual budget is submitted to State authorities, included as a part of the District's monthly financial reports, and revised as necessary. A comparison of budget and actual revenues collected and expenditures/expenses paid for the year ended June 30, 2014 is presented on page 26 of the financial statements.

NOTE 3 – COMPENSATED ABSENCES

Employees are granted vacation benefits and receive sick leave benefits up to specified maximums. Generally, employees are entitled to their unused vacation leave upon termination of employment. The estimated current portion of the liability for the vested benefits has been recorded as an expenditure and accrued expense in the general fund. The long-term portion of the liability is recorded as long-term debt.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The District's deposits at June 30, 2014, consist of cash and cash equivalents, and certificates of deposit. The District's deposits were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the District's name. The carrying amount of the District's deposits with financial institutions at June 30, 2014 was \$3,431,210 and the bank balance was \$3,501,877. Federal Depository Insurance Corporation covered \$250,000 of bank balances at each financial institution with the remainder having specific pledged collateral.

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

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2013	Additions	Adjustments Increases/ (Decreases)	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 1,970,244	\$ -	\$ -	\$ 1,970,244
Construction in progress	<u>199,728</u>	<u>-</u>	<u>-</u>	<u>199,728</u>
Subtotal	2,169,972	-	-	2,169,972
Capital assets being depreciated:				
Buildings	5,615,055	-	-	5,615,055
Building improvements	545,201	49,309	-	594,510
Furniture, fixtures and equipment	1,439,699	92,098	(135,868)	1,395,929
Library Collections:				
Books, audio and visual materials	<u>2,420,983</u>	<u>475,137</u>	<u>(227,064)</u>	<u>2,669,056</u>
Subtotal	<u>10,020,938</u>	<u>616,544</u>	<u>(362,932)</u>	<u>10,274,550</u>
Total cost	<u>12,190,910</u>	<u>616,544</u>	<u>(362,932)</u>	<u>12,444,522</u>
Accumulated depreciation:				
Buildings	(1,950,436)	(143,976)	-	(2,094,412)
Building improvements	(233,408)	(58,056)	-	(291,464)
Furniture, fixtures and equipment	(1,174,077)	(103,264)	129,477	(1,147,864)
Library Collections:				
Books, audio and visual materials	<u>(1,406,582)</u>	<u>(499,192)</u>	<u>227,064</u>	<u>(1,678,710)</u>
Subtotal	<u>(4,764,503)</u>	<u>(804,488)</u>	<u>356,541</u>	<u>(5,212,450)</u>
Total Capital Assets, Net	<u>\$ 7,426,407</u>	<u>\$(187,944)</u>	<u>\$ (6,391)</u>	<u>\$ 7,232,072</u>

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – LEASE/LOAN AGREEMENTS

In 2006 and 2007, the District entered into three lease/loan agreements with two financial institutions to consolidate two Carrico Branch loans, refinance the construction loan for the Newport Branch and finance the renovation of the Cold Spring Branch. On July 22, 2011, the District refinanced these three loans into one lease agreement (loan) with Fifth Third Bank. The loan amount was \$2.6 million. The loan bears interest at 2.74% and annual payments of \$296,959 are due annually on February 1. The loan will be paid in full on February 1, 2021. The loan is collateralized by all real estate and improvements owned by the District. The balance of the loan on June 30, 2014 is \$1,868,402.

Principal payments for the next five years and thereafter are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 245,764	\$ 51,195	\$ 296,959
2016	252,498	44,461	296,959
2017	259,417	37,542	296,959
2018	266,525	30,434	296,959
2019	273,828	23,131	296,959
2020-2021	<u>570,370</u>	<u>23,548</u>	<u>593,918</u>
	<u>\$1,868,402</u>	<u>\$ 210,311</u>	<u>\$2,078,713</u>

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2014.

	<u>Balance June 30, 2013</u>	<u>Principal Retired</u>	<u>Net Increase (Decrease)</u>	<u>Balance June 30, 2014</u>
Lease agreement	\$2,107,612	\$239,210	\$ -	\$1,868,402
Accrued compensation	<u>66,115</u>	<u>-</u>	<u>(110)</u>	<u>66,005</u>
Total	<u>\$2,173,727</u>	<u>\$239,210</u>	<u>\$(110)</u>	<u>\$1,934,407</u>

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 8 – GRANTS

The District received \$43,041 in 2014 through the State Aid for Public Libraries Grant. These funds are awarded on a per capita basis by the Kentucky Department for Libraries and Archives to provide library services to the public.

The District also received a construction assistance grant from the Kentucky Department of Libraries and Archives to be used to retire the debt incurred for the construction of the building for the Newport Branch. Under the terms of the grant, subject to the availability of funds, the Kentucky Department of Libraries and Archives will pay \$114,043 in grant funds annually to the District. These amounts are used to pay the annual loan payment on the loan for the Newport Branch.

NOTE 9 – RETIREMENT PLANS

All employees who average 100 hours of work per month are eligible and required to participate in the County Employees' Retirement System ("the Plan"), a cost-sharing multiple employer plan.

The Plan also provides disability and health care benefits to qualified employees and survivor and death benefits to qualified beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or from their website at www.kyret.ky.gov.

Participating employees are required to contribute 5% of their compensation to the Plan. The District is required to contribute at a percentage rate of covered wages as determined by the Plan (18.89% for 2014, 19.55% for 2013, and 18.96% for 2012).

The District's required contributions for pension obligations to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$272,687, \$292,075, and \$310,355, respectively. The District has contributed 100% for fiscal years 2014, 2013 and 2012.

NOTE 10 – PROPERTY TAX

The District participates as a special taxing district in Campbell County and levies property taxes as a primary means to support its operations. The categories for which taxes are received and collected and the corresponding tax rates per \$100 of assessed value for 2013 are as follows:

Category:	<u>Tax Rates</u>
	<u>2013</u>
Real property	\$ 7.7 mills
Tangible personal property other than motor vehicles & watercraft	\$ 9.4 mills
Motor vehicles	\$ 2.60 mills
Watercraft	\$ 2.60 mills

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – PROPERTY TAX (CONTINUED)

The real property portion of the tax is levied each January 1 on the assessed value of the property as determined by the County. The due dates for payment of these taxes are November 1 through December 31 of each year. Assessed values are established by state law at full current market value, and reappraisal of all property is required every four years.

The County's personal property tax allocation is determined by the State Revenue Cabinet in Frankfort, based upon reported values and the tax rates established by the District. The property is assessed for tax purpose at values defined in the state statutes.

Total tax revenues received in fiscal year 2013 - 2014 amounted to \$4,453,683.

NOTE 11 – CONTINGENCIES

In January 2012, several residents of Campbell County filed a lawsuit claiming that the District increased its tax rates over the rates set in 1978 without complying with governing Kentucky statutes. The Plaintiffs seek declaration that the District illegally set its tax rates and refunds of all tax payments that were improperly collected. The District believes it has increased its rates in accordance with Kentucky Revised Statute 132 and intends to vigorously defend its position. In April 2013, Campbell County Circuit Court ruled that the District was improperly adjusting its tax rate using KRS 132. The ruling was appealed and is currently in the Kentucky Court of Appeals. The Court of Appeals granted the District's motion for intermediate relief allowing the District to maintain its current tax rates through the appeal process in September 2013. The District does recognize that should the Plaintiffs claims prevail the refunds and loss of income would have serious implications about the District's ability to continue to operate at present levels although, the District believes sufficient tax revenues would be collected to repay its outstanding debt.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2014

	Original and Final Budget	Actual Budgetary Basis
REVENUES:		
Property taxes	\$ 4,362,000	\$ 4,488,487
Library fines and fees	94,000	111,307
Donations	31,000	28,958
Grants	169,045	190,432
Investment earnings	3,000	4,890
Miscellaneous income	1,000	3,502
Total revenues	4,660,045	4,827,576
EXPENDITURES:		
Salaries and benefits	2,349,400	2,332,283
Retirement	285,000	271,353
Books and library materials	710,000	636,038
Debt service	297,000	296,959
Programming and PR expense	198,350	198,214
Utilities	122,100	118,141
Maintenance and repair	105,500	117,887
Contracted computer service	63,600	89,483
Insurance	39,000	46,546
Library and office supplies	33,700	35,212
Legal and professional services	36,160	35,819
Staff development and training	34,820	33,006
Travel	24,500	18,138
Telephone	23,500	23,057
Postage	16,200	19,794
Miscellaneous	88,185	5,602
Association dues	5,105	4,735
Delivery van	4,400	3,894
Board activities	5,425	4,131
Capital outlay	218,100	-
Total expenditures	4,660,045	4,290,292
Excess revenues	-	537,284

The accompanying notes are an integral part of this statement.

**CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.**

**BUDGETARY COMPARISON SCHEDULE
(CONTINUED)**

GENERAL FUND

Year Ended June 30, 2014

	Original and Final Budget	Actual Budgetary Basis
Excess revenue - forward	\$ -	\$ 537,284
 OTHER FINANCING SOURCES (USES):		
Proceeds from sale of capital assets	-	-
Transfers in	-	-
Transfers out	-	(271,758)
Net other financing (uses)	-	(271,758)
Net change in fund balance	\$ -	\$ 265,526

BUDGET TO GAAP RECONCILIATION:

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

	General Fund
Sources/revenues:	
Actual amounts (budgetary basis)	\$ 4,827,576
Differences - budget to GAAP:	
The Library budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis	(30,342)
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	\$ 4,797,234
 Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 4,290,292
Differences - budget to GAAP:	
The Library budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	(3,977)
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	\$ 4,286,315

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2014

NOTE A – EXPLANATION OF DIFFERENCES

The District's budgetary process accounts for certain transactions on a basis other than the generally accepted accounting principles (GAAP) basis. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

ADMINISTRATIVE EXPENSE DETAIL

June 30, 2014

Utilities	\$144,593
Professional services	40,119
Contracted computer service	74,808
Office supplies	31,752
Staff development	32,267
Postage	19,794
Travel	18,138
Association dues	4,735
Delivery van	694
Board activities	4,131
Miscellaneous	<u>5,602</u>
Total Administrative Expenses	<u>\$376,633</u>

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

**To the Board of Trustees
Campbell County Public Library District Board of Trustees, Inc.
Cold Spring, Kentucky**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Campbell County Public Library District Board of Trustees, Inc. as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Bramel & Ackley, P.S.C.

Ft. Wright, Kentucky

November 7, 2014