

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

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**WITH**

**Independent Auditors' Report**

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

**FINANCIAL STATEMENTS**

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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, 2016, 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, 2016, 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 on pages 3 through 11; budgetary comparison information on pages 30 through 32; the schedule of the District's proportionate share of net pension liability on page 33; and the schedule of District pension fund contributions on page 34 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 on page 36 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 December 6, 2016, 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  
December 6, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

**A. The Current State of Campbell County**

*County as a whole*

Campbell County fares well from an economic standpoint. The Library's financial health, as a function of its tax base, depends on the overall economic health of the county.

Commercial spaces, particularly in the northern part of the county, are nicely filled. Unemployment is among the lowest in the state. As noted by County Judge-Executive Steve Pendery, there is, however, very little land left that could be utilized for large-scale industrial concerns. The Fiscal Court will be turning its attention to that problem in the coming years.

*South*

The Arcadia subdivision has filled in considerably over the past year with standalone homes, condominiums, and landminiums. There's still a lot of infrastructure work going on around the development.

The new Baptist Life facility, called The Seasons, has gone up rapidly in the northern part of Alexandria. This retirement, assisted care, and nursing care complex replaces an existing one in Newport which, reportedly, will become apartments.

*Mid-County*

The mid-part of the county is doing well with retail and service industry businesses. A Cracker Barrel will be constructed soon on the former Guys and Dolls property near Bunning Lane. From my observations, the new LaRosa's on Highway 27 also seems to be doing quite well.

An access road to a major subdivision is currently being constructed across from East Alexandria Pike. That will address significant traffic concerns near that intersection.

*North*

There has been no activity on the Newport Ovation project, but the expansion of Kentucky 9/AA Highway into Newport is nearing completion. The expectation is that development will begin after that road/infrastructure is in place.

The Manhattan Harbour Project in Dayton continues to grow. The Library is part of a Tax Incremental Financing (TIF) agreement with the developers. Last year, our refundable portion of taxes paid was about \$500. This year, the refundable portion was about \$5,000. That's a strong indicator of the growth in the value of the property.

A hotel/business complex is nearing completion beside Newport-on-the-Levee. There is very excited conversation about a large ferris wheel to be constructed on the Levee property as a tourist attraction. The City, however, continues to maintain the balance of historic renovation/preservation and modern development.

The Carothers Road corridor also continues to improve with an empty former K-Mart building being replaced by another retail vendor, Ollie's, and the replacement of a Remke's with an organic grocery store. Businesses and restaurants in the Newport Pavilion, again from my own observations, appear to be prospering.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

**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 District's basic financial statements. The District'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.

Government-wide financial statements. The government-wide financial statements are designed to report information about the overall finances of the District in a manner similar to a private sector business. They are designed to show a longer term view of the District'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 District uses fund accounting to ensure and demonstrate fiscal accountability. The District uses two funds – general operating fund and capital projects fund – to provide more detailed information about the District's most significant funds rather than the District 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 District is required by state regulations to create a balanced budget each fiscal year. The District's budget for FY2015-16 was approved by the Board of Trustees on June 17, 2015. The District's fiscal year began on July 1, 2015 and ended on June 30, 2016.

*Budgeted Income*

The District's budgeted income for FY2015-16 was \$5,189,445. The bulk of this anticipated income came from locally assessed taxes (\$4,575,000 or 88.16%). Other components of the District's income included:

- Donations (\$31,000, 0.6%);
- Grants and State Aid (\$182,045, 3.51%);
- Other Income (\$337,400, 6.5%);
- Service charges (\$64,000, 1.23%).

"Other income" includes the transfer of funds from the District's reserves. "Reserves" are the funds on hand before the first annual property tax payments are received by the District. The District budgeted to transfer \$331,400 from its reserves to cover various capital expenses in FY2015-16.

*Tax Rates*

On August 19, 2015, the Board of Trustees adopted the following tax rates:

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

The District's tax rates, under the September 17, 2013 order of the Kentucky Court of Appeals, were to remain static over the course of the litigation against the District filed on January 19, 2012 by Charlie Coleman, Erik Hermes, and John P. Roth. For FY2015-16, however, the District lowered its rate on

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

Personal Property in order to comply with the calculations for its "compensating rates." The other tax rates remained the same.

The Kentucky Court of Appeals ruled in the District's favor in March 2015 in *Coleman, et al.* The Kentucky Supreme Court declined to hear the plaintiff's Motion for Discretionary Review in December 2015. This denial effectively upholds the Appeals Court's decision. As such, the District will set its tax rates in future years by the formula that is used by the Department of Local Government and the Kentucky Department of Libraries and Archives.

*Budgeted Expenditures*

Budgeted expenditures for FY2015-16 were \$5,189,445. Budgeted expenditures were broken down into:

- Capital Expenditures (\$331,400, 6.39%);
- Collection Expenditures [books, audiovisuals, and other circulating materials] (\$730,000, 14.07%);
- Operating Expenditures (\$1,191,745, 22.96%);
- Personnel Expenditures (\$2,936,300, 56.58%).

As explained in "Budgeted Income", the District's capital expenditures were budgeted to come from reserves.

*Actual Income/Expenditures – Governmental Funds*

Actual income for the District was \$4,916,589. Income exceeded budgeted expectations by 1.21%. The bulk of the overage in income is attributable to an unexpected increase in grants and state aid (approximately \$60,300).

Actual expenditures were \$4,931,498 or 4.97% below expectations. The bulk of the expenses below those budgeted came from personnel expenditures (approximately \$123,000) and operating expenditures (approximately \$107,000).

*District Indebtedness*

The District 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 5, 2016, the remaining balance is \$1,370,140.

The District 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 District receives \$114,043 annually through 2020 for the reduction of debt for that building.

*Financial Analysis of the District as a Whole*

The District's net position increased between this fiscal year and the previous year by \$46,762 or 0.67%. Approximately 69% of the District'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 \$323,104 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. The FY 2015 amounts have been restated to reflect the effects of the prior period adjustment described in Note 11 to the basic financial statements related to the adoption of Government Accounting Standards Board Statement No. 68.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

**Table 1  
Net Position**

	<u>FY 2016</u>	<u>FY 2015</u>
Current and other assets	\$ 3,343,167	\$ 3,492,245
Capital assets	<u>7,605,055</u>	<u>7,553,321</u>
Total Assets	<u>10,948,222</u>	<u>11,045,566</u>
Deferred Outflows of Resources	<u>767,791</u>	<u>213,911</u>
Total Assets and Deferred Outflows	<u>11,716,013</u>	<u>11,259,477</u>
Long-term liabilities	4,507,268	3,767,559
Other liabilities	<u>136,913</u>	<u>235,533</u>
Total Liabilities	<u>4,644,181</u>	<u>4,003,092</u>
Deferred Inflows of Resources	-	<u>231,315</u>
Total Liabilities and Deferred Inflows	<u>4,644,181</u>	<u>4,234,407</u>
Invested in capital assets, net of debt	6,234,916	5,930,683
Restricted	509,666	457,766
Unrestricted	<u>327,250</u>	<u>636,621</u>
Total Net Position	<u>\$ 7,071,832</u>	<u>\$ 7,025,070</u>

**Table 2  
Change in Net Position**

	<u>FY 2016</u>	<u>FY 2015</u>
<b>REVENUES</b>		
Program Revenues		
Charges for services	\$ 48,212	\$ 85,919
Operating grants and contributions	159,321	114,610
Capital grants and contributions	115,571	114,569
General Revenues		
Taxes – real estate, property, and motor vehicle	4,545,785	4,578,266
Investment earnings	8,709	5,871
Miscellaneous	430	8,328
Loss on disposal of capital assets	( 1,451)	( 4,035)
Total Revenues	<u>4,876,577</u>	<u>4,903,528</u>
<b>PROGRAM EXPENSES</b>		
Personnel	3,020,719	2,783,602
Depreciation	705,676	670,080
Administrative	388,495	378,923
Maintenance and repair	166,341	149,102
Programming and PR expense	228,000	214,714
Interest	41,448	48,242
Periodicals and online databases	258,825	254,902
Small equipment purchases	<u>20,311</u>	<u>9,235</u>
Total Expenses	<u>4,829,815</u>	<u>4,508,800</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ 46,762</u>	<u>\$ 394,728</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

*Financial Outlook*

The District maintains a "reserve" of about \$1,000,000 which would, if necessary, allow it 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 district operations from July through December when the large property tax payment is received. The largest bulk of the District'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 District.)

The District budgeted some use of these reserved funds in FY2015-16 to cover capital expenses. Actual expenditures, however, were less than anticipated resulting in only about \$105,000 being used from reserves.

The lawsuit against the District has been substantially resolved. The litigation was originally filed on January 19, 2012 in Campbell County Circuit Court. The plaintiffs, briefly, accused the District 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 District maintained that it correctly adjusted its rate in accordance with the statutes contained in KRS 132, commonly referred to as "House Bill 44", under instruction from the Kentucky Department for Libraries and Archives, the Kentucky Attorney General's Office, and other state agencies. The Court of Appeals' decision of March 19, 2015, however, asserted that the District properly followed KRS 132 in setting its annual tax rates.

With the Kentucky Supreme Court's decision on December 10, 2015 not to hear the plaintiffs' Motion for Discretionary Review, the District expected the litigation to end and requested that the Campbell County Circuit Court decide in the District's favor on all remaining matters. The plaintiffs, however, filed a Cross Motion asking the Court to declare the March 2015 decision of the Kentucky Court of Appeals "retroactive" and to award the plaintiffs for any funds taken in excess of revenue that would have been generated by the tax rates set in 2006. The Circuit Court denied this Motion on September 16, 2016 and affirmed that the Kentucky Court of Appeals' decision was "prospective only." A subsequent motion to "alter, amend, or vacate" this decision was also denied by the Circuit Court. In November 2016, the plaintiffs filed a Notice of Appeal to the Kentucky Court of Appeals. The District's attorneys do not believe that these further actions by the plaintiffs are likely to prevail.

The District's inability to adopt the compensating tax rates over the period of this litigation limited its revenues. That tax rates can adjust naturally moving forward will, hopefully, allow less reliance on reserve funds and the growth of a healthier reserve.

**C. The Current State of the District**

Overall, the District has been doing extremely well in providing services to its patrons. Circulation in FY 2015-16 was the highest ever recorded: 1,246,871 items (including e-materials) or a 6.28% increase. The District has about 55,000 cardholders, or about 60% of the approximately 92,000 residents of Campbell County.

The District completed a comprehensive planning project with contracted support from the Kentucky League of Cities in May 2016. Substantial public input, private interviews, and staff meetings informed the content of the plan. Improved technology outreach and services are the key components of the approved plan, along with some improvement in access to library services for southern and eastern

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

portions of the county. We were quite pleased that approximately 95% of the respondents to the survey were "satisfied" or "greatly satisfied" with the District's services.

*Staffing*

Salary increases in FY2015-16 were based on 2% of midpoint for the staff member's classification. Additionally, the District continued to adjust entry-level salaries. In keeping with the District's five-year strategic plan, a full-time position was added in outreach services for children in June 2016.

*Facilities*

The five-year strategic plan approved by the Board of Trustees delays construction of the South Branch for a minimum of five years. Instead, the plan recommends a satellite location in the Alexandria area. This facility would operate out of an existing storefront and provide limited services and access to a small collection of circulation materials. The Board has appointed a subcommittee of its members to study this option.

The strategic plan also includes remote service for the Silver Grove/Melbourne areas of eastern Campbell County. In FY2016-17, the District has budgeted for two "Library Express" units that will allow patrons in these areas to get hold of materials more easily. The materials will be delivered to a standalone unit with compartments for each patron's items. These communities are not expected to grow significantly in the foreseeable future.

*Collection*

The digital collection, Kentucky Libraries Unbound (KLU), is doing very well. In 2013, the Library began to collect materials aggressively for its "Advantage" collection, which is only available to Campbell County cardholders. While the bulk of the e-collection is still held by the 100 KLU member libraries in Kentucky, Campbell's Advantage collection allows our own patrons to quickly borrow popular items.

We try to maintain about 15% of our overall expenditures for the collection. That percentage dropped to 14.06% in FY2015-16 but we will strive to increase it in future years.

*Operations*

In FY2015-16, the District began to deliver circulating materials between its branch on Sundays, creating a seven-days-per-week schedule. This greatly expedites holds that are placed on materials on the weekends and significantly decreases the amount of materials that need to be delivered on Mondays.

Also in FY2015-16, the District began to offer service to "digital only" patrons. Patrons can now apply for a library card online in order to borrow e-materials and use the District's databases. There are about 100 "digital only" patrons at this time. Most of these patrons gravitate to the District's e-collection.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

*Technology*

As part of the cycle of equipment replacement, we replaced public computers at the Cold Spring location and some of the District's servers. Bandwidth, at this point, seems to be adequate for both patron and staff needs.

The District entered into a consortial agreement offered by the Kentucky Department for Libraries and Archives in August 2015 for the provision of internet connectivity. This initiative, called KentuckyConnect, was curtailed by newly-elected Governor Matt Bevin in 2016.

In March 2015, the District launched its first "app". An "app" is a program that resides on a portable device like a smart phone or tablet computer. Our "app" provides faster access to the Library's catalog of materials and quick registration for programs. We're proud that it has been downloaded 8,000 times and continue to update its functionality.

**D. Statistical Analysis of District Use**

*Circulation*

Circulation is one of the measures of a District's use. In Kentucky, the combined circulation of all public libraries increased by 0.1% for FY2014-15. (Source: *Statistical Report of Kentucky Libraries 2014-15*. This is the most current data available.) In FY2015-16, Campbell County Public Library saw a 6.28% increase in circulation, well above the state-wide increase. The Campbell County Public Library ranks fifth in the state for total circulation.

	<i>2014-15</i>	<i>2015-16</i>	<i>% Change</i>
<i>Adult Fiction</i>	148,826	148,766	-0.04%
<i>Adult Nonfiction</i>	175,891	156,071	-11.27%
<i>Juvenile Fiction</i>	215,950	226,224	4.76%
<i>Juvenile Nonfiction</i>	40,829	42,469	4.02%
<i>Videos/DVDs</i>	425,517	490,150	15.19%
<i>Audios</i>	30,395	31,052	2.16%
<i>Music</i>	53,295	48,924	-8.20%
<i>Software</i>	20,237	19,027	-5.98%
<i>E-materials</i>	62,290	84,188	35.15%
<b>Total</b>	<b>1,173,230</b>	<b>1,246,871</b>	<b>6.28%</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

*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 District 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.

	2014-15	2015-16	% Change
<i>Adult Fiction</i>	45,722	40,135	-12.22%
<i>Adult Nonfiction</i>	36,426	34,897	-4.20%
<i>Juvenile Fiction</i>	64,801	65,435	0.98%
<i>Juvenile Nonfiction</i>	24,848	22,566	-9.18%
<i>Videos/DVDs</i>	24,631	26,771	8.69%
<i>Audiobooks</i>	11,051	11,117	0.60%
<i>Music</i>	14,948	15,177	1.53%
<i>Software</i>	1,403	1,597	13.83%
<i>E-materials</i>	122,086	155,207	27.13%
<b>Total</b>	<b>345,916</b>	<b>372,902</b>	<b>7.80%</b>

*Patron Visits*

Patron visits are measured at each branch of the District by use of electronic scanners. In Kentucky, patron visits for all public libraries decreased by 3.6% for FY2014-15. (Source: *Statistical Report of Kentucky Libraries 2014-15*. This is the most current data available.) The Campbell County Public Library ranks sixth in the state for the total number of annual visits.

	2014-15	2015-16	% Change
<i>Cold Spring</i>	207,523	198,075	-4.55%
<i>Carrico/Fort Thomas</i>	194,214	185,141	-4.67%
<i>Newport</i>	224,016	207,049	-7.57%
<b>Total</b>	<b>625,753</b>	<b>590,265</b>	<b>-5.67%</b>

*Programming*

Programming is provided by the District as a community service and to encourage the use of the District. The total number of programs offered, for all age ranges, and the attendance for those programs is provided below. The District ranks seventh in Kentucky in both the number of programs held and the attendance of the programs offered. (Source: *Statistical Report of Kentucky Libraries 2014-15*. This is the most current data available.)

**Attendance**

	2014-15	2015-16
<i>Cold Spring</i>	23,585	23,810
<i>Carrico/Fort Thomas</i>	11,931	11,849
<i>Newport</i>	20,295	21,000
<b>Total</b>	<b>55,811</b>	<b>56,659</b>

**Programs**

	2014-15	2015-16
<i>Cold Spring</i>	934	916
<i>Carrico/Fort Thomas</i>	775	868
<i>Newport</i>	727	791
<b>Total</b>	<b>2,436</b>	<b>2,575</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2016**

**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 District 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, 2016**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,819,776
Certificates of deposit	356,855
Accounts receivable	33,879
Pledges receivable	23,774
Taxes receivable	25,891
Prepaid expenses	82,992
Capital assets, net of accumulated depreciation	<u>7,605,055</u>
<b>Total assets</b>	<b>10,948,222</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflows related to pension plan	<u>767,791</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 11,716,013</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ 46,224
Salaries and benefits payable	72,335
Accrued interest payable	18,354
Long-term liabilities:	
Due within one year	259,417
Due in more than one year	1,185,911
Net pension liability	<u>3,061,940</u>
<b>Total liabilities</b>	<b><u>4,644,181</u></b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	6,234,916
Restricted for South Branch collection	509,666
Unrestricted	<u>327,250</u>
<b>Total net position</b>	<b><u>\$ 7,071,832</u></b>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES**

Functions	Year Ended June 30, 2016				Net (Expenses) Revenues and Changes in Net Position
	Program Revenues			Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Personnel	\$ 3,020,719	\$ -	\$ -	\$ -	\$ (3,020,719)
Depreciation	705,676	-	-	-	(705,676)
Administrative expenses	388,495	-	-	-	(388,495)
Maintenance and repair	166,341	-	-	-	(166,341)
Programming and PR expense	228,000	-	-	-	(228,000)
Interest expense	41,448	-	-	-	(41,448)
Books, periodicals and online databases	258,825	-	-	-	(258,825)
Small equipment purchases	20,311	-	-	-	(20,311)
Revenue	-	48,212	159,321	115,571	323,104
<b>Total governmental activities</b>	<u>4,829,815</u>	<u>48,212</u>	<u>159,321</u>	<u>115,571</u>	<u>(4,506,711)</u>

**GENERAL REVENUES:**

Taxes:	
Taxes levied for general purpose	4,545,785
Investment earnings	8,709
Miscellaneous	430
Loss on disposal of capital assets	(1,451)
<b>Total general revenues</b>	<u>4,553,473</u>
<b>Change in net position</b>	<u>46,762</u>
<b>NET POSITION, BEGINNING</b>	<u>7,107,615</u>
Prior period adjustment - See Note 11	<u>(82,545)</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 7,071,832</u></u>

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, 2016**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,690,739	\$ 129,037	\$ 2,819,776
Certificates of deposit	-	356,855	356,855
Accounts receivable	33,879	-	33,879
Pledges receivable	-	655	655
Taxes receivable	25,891	-	25,891
Prepaid expenditures	<u>82,992</u>	<u>-</u>	<u>82,992</u>
<b>Total assets</b>	<u><u>\$ 2,833,501</u></u>	<u><u>\$ 486,547</u></u>	<u><u>\$ 3,320,048</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 46,224	\$ -	\$ 46,224
Salaries and benefits payable	<u>72,335</u>	<u>-</u>	<u>72,335</u>
<b>Total liabilities</b>	<u>118,559</u>	<u>-</u>	<u>118,559</u>
<b>FUND BALANCES</b>			
Nonspendable	82,992	-	82,992
Committed	-	486,547	486,547
Unassigned	<u>2,631,950</u>	<u>-</u>	<u>2,631,950</u>
<b>Total fund balances</b>	<u>2,714,942</u>	<u>486,547</u>	<u>3,201,489</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,833,501</u></u>	<u><u>\$ 486,547</u></u>	<u><u>\$ 3,320,048</u></u>

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, 2016**

<b>Total Governmental Fund Balances</b>	<b>\$ 3,201,489</b>
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*Amounts reported for governmental activities in the statement of net position are different because:*

Pledges not received within sixty days of the end of the current fiscal period are not reported as assets in the governmental funds.

23,119

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	\$ 13,314,802
Accumulated depreciation	<u>(5,709,747)</u>

7,605,055

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	259,417
Due in more than one year	1,110,723
Net pension liability	<u>3,061,940</u>

(4,432,080)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore are not reportable in the governmental funds.

Deferred outflow of resources

767,791

Accrued interest payable not due in the current year is recorded as long-term debt

(18,354)

Accrued compensation not due in the current year is recorded as long-term debt.

(75,188)

***Net Position of Governmental Activities***

**\$ 7,071,832**

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, 2016	Capital Projects	Total Governmental Funds
	General		
<b>REVENUES</b>			
Taxes levied	\$ 4,545,785	\$ -	\$ 4,545,785
Library fines and fees	48,212	-	48,212
Donations	31,060	40,089	71,149
Grants	242,304	-	242,304
Investment earnings	8,709	-	8,709
Miscellaneous income	430	-	430
<b>Total revenues</b>	<u>4,876,500</u>	<u>40,089</u>	<u>4,916,589</u>
<b>EXPENDITURES</b>			
Salaries and benefits	2,515,985	-	2,515,985
Retirement	297,722	-	297,722
Books and library materials	681,774	-	681,774
Debt service	296,959	-	296,959
Programming and PR expense	228,000	-	228,000
Utilities	124,398	-	124,398
Maintenance and repair	117,818	-	117,818
Contracted computer service	82,961	-	82,961
Insurance	50,934	-	50,934
Library and office supplies	17,126	-	17,126
Legal and professional services	58,766	-	58,766
Staff development and training	26,230	-	26,230
Travel	20,941	-	20,941
Telephone	23,235	-	23,235
Postage	17,991	-	17,991
Miscellaneous	4,938	-	4,938
Association dues	5,640	-	5,640
Delivery van	4,010	-	4,010
Board activities	5,243	-	5,243
Capital outlay	-	350,794	350,794
Capital campaign	-	33	33
<b>Total expenditures</b>	<u>4,580,671</u>	<u>350,827</u>	<u>4,931,498</u>
<b>Excess revenues (expenditures)</b>	<u>295,829</u>	<u>(310,738)</u>	<u>(14,909)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	401,199	401,199
Transfers out	(401,199)	-	(401,199)
<b>Net other financing sources (uses)</b>	<u>(401,199)</u>	<u>401,199</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(105,370)</u>	<u>90,461</u>	<u>(14,909)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>2,820,312</u>	<u>396,086</u>	<u>3,216,398</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,714,942</u>	<u>\$ 486,547</u>	<u>\$ 3,201,489</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, 2016

Net Change in Fund Balance-Total Governmental Funds		\$	(14,909)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
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 received in the current period.			
			(38,561)
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 capital outlays exceed depreciation in the period.			
Capital outlay for capital assets	\$	758,861	
Depreciation expense		(705,676)	
Loss on disposal of capital assets		<u>(1,451)</u>	
			51,734
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense. This is the amount by which cost of benefits earned exceeded employer contributions.			
Employer contributions		297,722	
Cost of benefits earned		<u>(502,205)</u>	
			(204,483)
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			252,498
Net difference in accrual for interest payable on long-term debt			3,012
Net difference in accrual for accrued compensation (long-term)			<u>(2,529)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$</u>	<u>46,762</u>

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, 2016**

**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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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, 2016**

**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

**Pensions**

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

**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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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, 2016 is presented on page 30 and 31 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, 2016, 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, 2016 was \$3,176,629 and the bank balance was \$3,309,118. 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, 2016**

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance July 1, 2015	Additions	Adjustments Increases/ (Decreases)	Balance June 30, 2016
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,970,244	\$ -	\$ -	\$ 1,970,244
Construction in progress	199,728	-	-	199,728
<b>Subtotal</b>	<u>2,169,972</u>	<u>-</u>	<u>-</u>	<u>2,169,972</u>
<b>Capital assets being depreciated:</b>				
Buildings	5,615,055	-	-	5,615,055
Building and land improvements	1,102,051	240,185	(2,607)	1,339,629
Furniture, fixtures and equipment	1,496,846	95,727	(57,405)	1,535,168
<b>Library Collections:</b>				
Books, audio and visual materials	2,320,488	422,949	(88,459)	2,654,978
<b>Subtotal</b>	<u>10,534,440</u>	<u>758,861</u>	<u>(148,471)</u>	<u>11,144,830</u>
<b>Total cost</b>	<u>12,704,412</u>	<u>758,861</u>	<u>(148,471)</u>	<u>13,314,802</u>
<b>Accumulated depreciation:</b>				
Buildings	(2,238,388)	(143,976)	-	(2,382,364)
Building and land improvements	(360,714)	(98,547)	1,955	(457,306)
Furniture, fixtures and equipment	(1,231,171)	(97,891)	56,605	(1,272,457)
<b>Library Collections:</b>				
Books, audio and visual materials	(1,320,818)	(365,262)	88,460	(1,597,620)
<b>Subtotal</b>	<u>(5,151,091)</u>	<u>(670,081)</u>	<u>147,020</u>	<u>(5,709,747)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 7,553,321</u>	<u>\$ 53,185</u>	<u>\$ (1,451)</u>	<u>\$ 7,605,055</u>

**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, 2016 is \$1,370,140.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 6 – LEASE/LOAN AGREEMENTS (CONTINUED)**

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 259,417	\$ 37,542	\$ 296,959
2018	266,525	30,434	296,959
2019	273,828	23,131	296,959
2020	281,331	15,628	296,959
2021	<u>289,039</u>	<u>7,920</u>	<u>296,959</u>
	<u>\$1,370,140</u>	<u>\$ 114,655</u>	<u>\$1,484,795</u>

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of changes in the long-term debt for the year ended June 30, 2016.

	<u>Balance June 30, 2015</u>	<u>Principal Retired</u>	<u>Net Increase (Decrease)</u>	<u>Balance June 30, 2016</u>
Lease agreement	\$1,622,638	\$(252,498)	\$ -	\$1,370,140
Net pension liability	2,072,262	-	989,678	3,061,940
Accrued compensation	<u>72,659</u>	<u>-</u>	<u>2,529</u>	<u>75,188</u>
Total	<u>\$3,767,559</u>	<u>\$(252,498)</u>	<u>\$ 992,207</u>	<u>\$4,507,268</u>

**NOTE 8 – GRANTS**

The District received \$45,941 in 2016 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 – EMPLOYEE’S PENSION PLAN**

***General Information about the Pension Plan***

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

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

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

*Contributions.* Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Employees are required to contribute 5% or 6% of their annual creditable compensation based upon the date they begin participating in the plan. The actuarially determined rates set by the Board for the year ended June 30, 2016 was 17.06%, of which 12.42% was for the pension fund and 4.64% was for the insurance fund. Contributions to the pension plan from the District were \$297,722 for the year ended June 30, 2016, of which \$216,747 was for the pension fund and \$80,975 was for the insurance fund.

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

At June 30, 2016, the District reported a liability of \$3,061,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District’s proportion was 0.071216%, which was an increase of 0.007343% from its proportion measured as of June 30, 2014.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 – EMPLOYEE’S PENSION PLAN (CONTINUED)**

For the year ended June 30, 2016, the District recognized pension expense of \$419,946. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,446	\$ -
Changes of assumptions	308,763	-
Net difference between projected and actual earnings on plan investments	27,448	-
Changes in proportion and differences between District contributions and proportionate share of contributions	189,387	-
District contributions subsequent to the measurement date	216,747	-
	<u>\$ 767,791</u>	<u>\$ -</u>

The \$216,747 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 199,347
2018	199,347
2019	97,131
2020	55,219
2021	-
	<u>\$ 551,044</u>

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 – EMPLOYEE’S PENSION PLAN (CONTINUED)**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

*Changes of assumptions.* Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 – EMPLOYEE’S PENSION PLAN (CONTINUED)**

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	<u>100%</u>	

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Decrease (6.50%)	Discount Rate (7.50%)	Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,908,947	\$ 3,061,940	\$ 2,336,554

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 – EMPLOYEE’S PENSION PLAN (CONTINUED)**

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

**Payables to the pension plan**

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10<sup>th</sup> of the following month. As of June 30, 2016, there was no payable to the pension plan.

**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 2015 are as follows:

Category:	<u>Tax Rates</u> <u>2015</u>
Real property	\$ 7.7 mills
Tangible personal property other than motor vehicles & watercraft	\$ 9.08 mills
Motor vehicles	\$ 2.60 mills
Watercraft	\$ 2.60 mills

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 2015 - 2016 amounted to \$4,545,785.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

The District has recorded an adjustment to the Beginning Net Position of (\$82,545) at July 1, 2015. This adjustment accounts for the insurance fund portion of pension contributions at June 30, 2015, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 12 – 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 to 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. On March 19, 2015, the Kentucky Court of Appeals held that the District's process for setting its tax rate, based upon KRS Chapter 132, is the proper procedure. In April 2015, the Plaintiffs filed a motion for Discretionary Review with the Kentucky Supreme Court. On December 10, 2015, the Kentucky Supreme Court let stand the decision of the Kentucky Court of Appeals. On March 18, 2016, the Plaintiffs filed a motion asking the Campbell County Circuit Court to consider the Court of Appeals' decision retroactive and to order a refund for previous tax years. On September 16, 2016, the Campbell County Circuit Court ruled that the Court of Appeals' decision should be considered prospectively only, upholding the Library's position. In November 2016, the Plaintiffs filed a Notice of Appeal with the Kentucky Court of Appeals seeking to overturn the Campbell County Circuit Court's decision.

**NOTE 13 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 6, 2016, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the District as of that date except as disclosed in Note 12 above.



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

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year Ended June 30, 2016**

	Original and Final Budget	Actual Budgetary Basis
<b>REVENUES:</b>		
Property taxes	\$ 4,575,000	\$ 4,541,090
Library fines and fees	64,000	49,690
Donations	31,000	31,287
Grants	182,045	208,682
Investment earnings	5,000	8,709
Miscellaneous income	1,000	451
<b>Total revenues</b>	<b>4,858,045</b>	<b>4,839,909</b>
<b>EXPENDITURES:</b>		
Salaries and benefits	2,643,300	2,583,638
Retirement	293,000	327,708
Books and library materials	730,000	665,768
Debt service	297,000	296,959
Programming and PR expense	249,400	238,969
Utilities	132,000	128,041
Maintenance and repair	115,935	122,596
Contracted computer service	65,250	84,929
Insurance	51,000	50,934
Library and office supplies	29,700	22,661
Legal and professional services	60,360	60,659
Staff development and training	33,600	26,069
Travel	27,000	20,941
Telephone	23,400	23,235
Postage	16,800	17,991
Miscellaneous	75,095	4,938
Association dues	6,480	5,640
Delivery van	3,600	4,010
Board activities	5,125	5,243
Capital outlay	331,400	-
<b>Total expenditures</b>	<b>5,189,445</b>	<b>4,690,929</b>
<b>Excess revenues</b>	<b>(331,400)</b>	<b>148,980</b>

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, 2016**

	Original and Final Budget	Actual Budgetary Basis
<b>Excess revenue - forward</b>	\$ (331,400)	\$ 148,980
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	331,400	-
Transfers out	-	(401,199)
<b>Net other financing (uses)</b>	<u>331,400</u>	<u>(401,199)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (252,219)</u>

**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
<b>Sources/revenues:</b>	
Actual amounts (budgetary basis)	\$ 4,839,909
<b>Differences - budget to GAAP:</b>	
The District budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis	<u>36,591</u>
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	<u>\$ 4,876,500</u>
<b>Uses/expenditures:</b>	
Actual amounts (budgetary basis)	\$ 4,690,929
<b>Differences - budget to GAAP:</b>	
The District budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	<u>(110,258)</u>
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	<u>\$ 4,580,671</u>

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, 2016**

**NOTE 1 – EXPLANATION OF DIFFERENCES**

As commonly practiced in governmental entities, 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.

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

	County Employees Retirement System									
	Last 10 Fiscal Years*									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.071216%	0.063872%								
District's proportionate share of the net pension liability (asset)	\$3,061,940	\$2,072,262								
District's covered-employee payroll	\$1,677,736	\$1,443,552								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.50%	143.55%								
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%								

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

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

SCHEDULE OF DISTRICT PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 216,747	\$ 213,911	\$ 198,344							
Contributions in relation to the contractually required contribution	<u>\$ (216,747)</u>	<u>\$ (213,911)</u>	<u>\$ (198,344)</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
District's covered-employee payroll	\$1,745,147	\$1,677,736	\$1,443,552							
Contributions as a percentage of covered-employee payroll	12.42%	12.75%	13.74%							

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016**

**NOTE 1 – PENSION SCHEDULES**

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

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

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

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

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

2015:

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

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

**ADMINISTRATIVE EXPENSE DETAIL**

**June 30, 2016**

Utilities	\$147,633
Professional services	58,766
Contracted computer service	79,944
Office supplies	17,159
Staff development	26,230
Postage	17,991
Travel	20,941
Association dues	5,640
Delivery van	4,010
Board activities	5,243
Miscellaneous	<u>4,938</u>
Total Administrative Expenses	<u>\$388,495</u>



**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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2016.

**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

December 6, 2016