CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

WITH

Independent Auditors' Report

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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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, 2019, 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, 2019, 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, budgetary comparison information, and the schedules for pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 42 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 3, 2019, 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.

December 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2019

A. Overview of Campbell County Economy

The District's financial health is dependent on the overall economic health of the county. The county has been very fortunate in its growth through the years. This growth allows the District's tax rate to be fairly static while drawing the additional revenue necessary to sustain and expand its operations.

Along the Highway 27 corridor, the primary north-south roadway through the county, development has been steady. Several new spaces are currently under construction including a Dunkin Donuts near LaRosa's in Cold Spring. A Panera Bread opened in November 2019.

Along this same corridor in Highland Heights, commercial medical spaces and a hotel are currently under construction near Northern Kentucky University.

In Newport, activity has begun with the Ovation project. That project had a promised $1 billion impact when the District entered into a Tax Incremental Financing agreement with the City of Newport in 2007. The TIF was retroactively activated to 2017 in March 2019 so that it would not expire.

The Manhattan Harbour Project in Dayton continues to grow, but requested a smaller TIF-provided refund of tax money from the District in 2019 than in 2018. The reduction in the refund was unexpected, but it is attributable to changes in zoning (single family unit construction to multi-family unit) which impacts the value of the sites. There is currently $50 million in construction with a new bond issue just awarded of an additional $120 million in construction to start in 2020.

We are confident in the continued economic health of the county in the foreseeable future.

B. Overview 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 statutes to create a balanced budget each fiscal year. The District's budget for FY 2018-19 was approved by the Board of Trustees on May 16, 2018. The District's fiscal year began on July 1, 2018 and ended on June 30, 2019.

Budgeted Income
The District's budgeted income for FY2018-19 was $5,197,135. The bulk of this anticipated income generates from locally assessed taxes ($4,812,000, or 92.59%). Other components of the District's income included:

- Donations ($31,000, 0.60%);
- Grants and State Aid ($184,000, 3.54%);
- Other Income ($121,135, 2.33%);
- Service charges ($49,000, 0.94%).

"Other income" includes the transfer of funds from the District's reserves. "Reserves" are calculated as the funds on hand before the first annual property tax payments are received by the District, usually in early December. The District budgeted to transfer $90,000 from its reserves to cover various capital expenses in FY2018-19.

Tax Rates
On August 15, 2018, the Board of Trustees adopted the following tax rates:

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

Due to the calculations for the "compensating tax rates" for the District, the District's tax rates dropped in FY2018-2019. This drop is an additional indicator of the overall health of the county's economy as the compensating tax rates react inversely to increasing property values.

Budgeted Expenditures
Budgeted expenditures for FY2018-19 were $5,197,135. Budgeted expenditures were broken down into:

- Capital Expenditures ($91,000, 1.75%);
- Collection Expenditures [books, audiovisuals, and other circulating materials] ($720,000, 13.85%);
- Operating Expenditures ($1,141,935, 21.97%);
- Personnel Expenditures ($3,244,200, 62.42%).

Actual Income/Expenditures – Governmental Funds
Actual income for the District was $5,162,643. Note that "transferred reserves" contained in the approved budget are not reflected as actual income.

Actual expenditures were $5,245,203 or 0.7% above budgeted expectations. The difference ($82,560) between income and expenditures is more than adequately covered by the anticipated transfer of $90,000 in reserves.

District Indebtedness
At the end of FY2018-19, the District had one loan outstanding which would have matured in 2021. The original debt was $2.6 million. The loan, when negotiated in 2011, carried a fixed interest rate of 2.74%. Annual payments were $296,959. After the last payment on January 2, 2019, the remaining balance was $570,370. In June 2018, the District was notified by Fifth Third Bank that it would be exercising its option in Section 8(d) of the lease agreement to correct any financial loss due to a change in the deductibility of the interest paid on the debt incurred. In December 2017, the U.S. Congress reduced the corporate income tax rate from 35% to 21% which caused a reduction in the Tax Equivalent Yield of the District's loan. With the remaining payments and the final payout, therefore, the District would pay an additional amount to offset that loss:

- 2020 - $3,501
- 2021 - $1,844
- Final payoff - $142

The Board protested Fifth Third's action and has since opted to refinance the remaining balance into a new bond issue secured through the Kentucky Association of Counties (KACo). The Fifth Third loan was paid in full in October 2019 through a disbursement from the bond issue in the amount of $582,911.

The District continues to receive a loan amortization grant for the construction of the facility in Newport in 2003. This grant was not impacted by the payoff of the Fifth Third indebtedness. The grant is provided through a program that runs through the Kentucky Department for Libraries and Archives. The District will receive $114,043 annually through 2021 for the reduction of the original debt.

The new indebtedness from KACo included financing for other budgeted capital projects to be conducted in FY2019-20. The entire amount of the debt is $1.2 million with a term of seven years. The average annual payment is $188,172 with an effective interest rate of 1.76%.

Financial Analysis of the District as a Whole
The District's net position decreased between this fiscal year and the previous year by $389,644 or 7.24%. Approximately 72% of the District's assets are invested in capital assets. The vast majority (94%) 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 $317,682 or 6% 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, 2019

Table 1
Net Position

	FY 2019	FY 2018
Current and other assets	$ 2,983,083	$ 3,052,062
Capital assets	7,577,901	7,681,891
Total Assets	10,560,984	10,733,953
Deferred Outflows of Resources	1,240,694	1,583,258
Total Assets and Deferred Outflows	11,801,678	12,317,211
Long-term liabilities	6,265,894	6,603,377
Other liabilities	126,325	117,306
Total Liabilities	6,392,219	6,720,683
Deferred Inflows of Resources	417,262	214,687
Total Liabilities and Deferred Inflows	6,809,481	6,935,370
Invested in capital assets, net of debt	6,998,193	6,823,794
Restricted	13,982	371,506
Unrestricted	(2,019,978)	(1,813,459)
Total Net Position	$ 4,992,197	$ 5,381,841

Table 2
Change in Net Position

	FY 2019	FY2018
REVENUES		
Program Revenues		
Charges for services	$ 42,139	$ 43,350
Operating grants and contributions	159,833	120,375
Capital grants and contributions	115,710	118,454
General Revenues		
Taxes – real estate, property, and motor vehicle	4,758,986	4,726,691
Investment earnings	67,552	34,860
Miscellaneous	18,423	2,175
Total Revenues	5,162,643	5,045,905
PROGRAM EXPENSES		
Personnel	3,679,441	3,680,329
Depreciation	851,600	794,612
Administrative	414,814	393,103
Maintenance and repair	157,157	185,117
Programming and PR expense	225,645	241,360
Interest	63,683	58,873
Periodicals and online databases	150,713	108,663
Small equipment purchases	7,832	22,889
Loss on disposal of capital assets	1,402	-
Total Expenses	5,552,287	5,484,946
DECREASE IN NET POSITION	$ (389,644)	$ (439,041)

C. Financial Outlook

The District maintains a "reserve" 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 first substantial property tax payment is received. The bulk of the District's entire budgeted income for each fiscal year is received between December and February. The "reserve" 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 both FY2016-17 and FY2017-18 to cover capital expenses which reduced these reserves to $584,000 by December 2018. The District anticipates its liquid reserves will be approximately $500,000 in December 2019. There is an additional reserve of $244,685 held in certificates of deposit with varying dates of maturity.

A serious concern is the pension crisis in Kentucky. The General Assembly's actions in 2019 helped to alleviate some of this concern but the continued viability of the program is still in question. Time will tell if the path of Kentucky's retirement system has been successfully shifted. In the short term, however, the District expects to budget for the rising costs of this benefit.

Since 2015, the District has been pursuing an agreement with the City of Cold Spring to remove an easement for a future road on property adjacent to the Cold Spring Branch on the west side. In October 2019, this easement was removed, allowing the District to expand and improve its parking at the Cold Spring Branch. The entrance area for the building and adjacent sidewalks will also be improved. The debt from this project was anticipated in the KACo bond issue in October 2019.

The bond issue also covered two other projects:

- The replacement of two large plate glass windows at the Newport Branch which had been found to be inadequately constructed and leaking.
- Replacement of a portion of the parking lot at the Fort Thomas location.

Overall, the District's financial future looks very solid.

D. The Current State of the District

The District continues to provide a very high quality of services in addition to its "bread and butter" mission of circulating materials.

Since its beginning, the District's circulation has grown steadily. While there is a decrease in overall circulation over the last several years, that decrease is related, for the most part, to audiovisual circulation, specifically DVDs. The decrease reflects a national trend, beyond libraries, toward streaming services. There is not, at this point, a solid answer for libraries for streaming content to its patrons.

An additional threat is the tightening of rules regarding the circulation of e-books and e-audiobooks produced by several major publishers. The District typically pays far more than the average consumer for e-materials. (The cost difference is six-fold with the average e-book costing about $10 for the consumer and the District paying $60 per e-copy.) Now, publishers are also placing embargoes on library purchases of up to two months before a popular title will be available for purchase by a library. Time limits and limits on the number of circulations have also been imposed. Libraries across the nation are protesting the publishing industry's efforts to limit library access to e-formats. The Kentucky Libraries Unbound consortium joined these libraries in a boycott action against MacMillan Publishers in November 2019.

Programming is a strength of the District. In the past several years, we've had tremendous growth in the number of programs and attendees along with broadening the scope of programs. We partner with county and city agencies now to provide programs during the summer at local parks. These programs often draw over 500 attendees. We also partner for outreach events at schools, stores, and other locations to spread the word about library services.

Along the same lines, we recently formed an Outreach Department that we hope will be able to better plan and execute services to daycares (both traditional children's daycares and adult daycares), preschools, homebound patrons, assisted living facilities, and nursing homes. The department will handle large event planning offsite such as our summer outreach to parks.

The green light to proceed with the expansion of the parking lot at Cold Spring is a tremendous step forward. This project is one of the few remaining items in the District's 2016 strategic plan. It will improve safety, improve access, and meet the needs of a growing population of senior patrons by eliminating curbs and increasing handicap accessibility. We are excited by the possibilities.

The Alexandria Branch continues to enjoy success with around 5,000 circulations per month. Complaints about its operation are limited to service hours and lack of a substantial collection. The District's only current plan to address those concerns is to construct a new facility on the Parkside Drive property.

A major project began this year with the implementation of the Dolly Parton Imagination Library in Campbell County. The District worked with the six school districts (five independent and one county-wide) to co-fund the costs. The program mails an age-appropriate book to children aged 0-5 years in all Campbell County zip codes upon registration. Since its implementation in September 2019, the project has gathered over 2,000 registrations.

E. Requests for Information

The 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 record requests.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES INC.

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,451,137
Certificates of deposits	255,666
Accounts receivable	40,100
Taxes receivable	130,871
Prepaid expenses	102,309
Security deposit	3,000
Capital assets, net of accumulated depreciation	7,577,901
Total assets	10,560,984
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to pension and OPEB	1,240,694
Total assets and deferred outflow of resources	11,801,678
LIABILITIES	
Accounts payable	24,908
Salaries and benefits payable	92,079
Accrued interest payable	9,338
Long-term liabilities:	
Due within one year	281,331
Due in more than one year	369,547
Net pension liability	4,347,625
Net OPEB liability	1,267,391
Total liabilities	6,392,219
DEFERRED INFLOW OF RESOURCES	
Deferred inflows related to pension and OPEB	417,262
Total liabilities and deferred inflow of resources	6,809,481
NET POSITION	
Invested in capital assets, net of related debt	6,998,193
Restricted for South Branch	13,982
Unrestricted	(2,019,978)
Total net position	$ 4,992,197

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, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Postion
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental Activities					
Personnel	$ 3,679,441	$ -	$ -	$ -	$ (3,679,441)
Depreciation	851,600	-	-	-	(851,600)
Administrative expenses	414,814	-	-	-	(414,814)
Maintenance and repair	157,157	-	-	-	(157,157)
Programming and PR expense	225,645	-	-	-	(225,645)
Interest expense	63,683	-	-	-	(63,683)
Books, periodicals and online databases	150,713	-	-	-	(150,713)
Small equipment purchases	7,832	-	-	-	(7,832)
Loss on disposal of capital assets	1,402	-	-	-	(1,402)
Revenue	-	42,139	159,833	115,710	317,682
Total governmental activities	5,552,287	42,139	159,833	115,710	(5,234,605)
GENERAL REVENUES:					
Taxes:					
Taxes levied for general purpose					4,758,986
Investment earnings					67,552
Miscellaneous					18,423
Total general revenues					4,844,961
Change in net position					(389,644)
NET POSITION, BEGINNING					5,381,841
NET POSITION, ENDING					$ 4,992,197

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, 2019

	General	Capital Projects	Total Governmental Funds
- ASSETS -			
Cash and cash equivalents	$ 2,451,137	$ -	$ 2,451,137
Certificates of deposit	-	255,666	255,666
Accounts receivable	40,100	-	40,100
Taxes receivable	130,871	-	130,871
Prepaid expenditures	102,309	-	102,309
Security deposit	3,000	-	3,000
Total assets	$ 2,727,417	$ 255,666	$ 2,983,083
- LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accounts payable	$ 24,908	$ -	$ 24,908
Salaries and benefits payable	92,079	-	92,079
Total liabilities	116,987	-	116,987
FUND BALANCES:			
Nonspendable	105,309	-	105,309
Committed	-	255,666	255,666
Unassigned	2,505,121	-	2,505,121
Total fund balances	2,610,430	255,666	2,866,096
Total liabilities and fund balances	$ 2,727,417	$ 255,666	$ 2,983,083

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, 2019

Total Governmental Fund Balances		**$ 2,866,096**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	$ 14,441,047	
Accumulated depreciation	(6,863,146)	
		7,577,901
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	281,331	
Due in more than one year	289,039	
Net pension liability	4,347,625	
Net OPEB liability	1,267,391	
		(6,185,386)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reportable in the governmental funds		
Deferred outflow of resources	1,240,694	
Deferred inflow of resources	(417,262)	
		823,432
Accrued interest payable not due in the current year is recorded as long-term debt.		(9,338)
Accrued compensation not due in the current year is recorded as long-term debt.		(80,508)
Net Position of Governmental Activities		**$ 4,992,197**

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, 2019

	General	Capital Projects	Total Governmental Funds
REVENUES:			
Property taxes	$ 4,758,986	$ -	$ 4,758,986
Library fines and fees	42,139	-	42,139
Donations	72,050	167	72,217
Grants	203,326	-	203,326
Investment earnings	67,552	-	67,552
Miscellaneous income	18,423	-	18,423
Total revenues	5,162,476	167	5,162,643
EXPENDITURES:			
Salaries and benefits	2,807,113	-	2,807,113
Books and library materials	710,948	-	710,948
Retirement	390,845	-	390,845
Debt Service	342,072	-	342,072
Programming and PR expense	231,993	-	231,993
Utilities	157,786	-	157,786
Maintenance and repairs	131,393	-	131,393
Contracted computer services	74,304	-	74,304
Insurance	54,361	-	54,361
Legal and professional services	36,751	-	36,751
Staff development and training	30,825	-	30,825
Telephone	28,027	-	28,027
Office supplies	25,349	-	25,349
Postage	18,183	-	18,183
Miscellaneous	16,851	-	16,851
Travel	14,858	-	14,858
Association dues	5,117	-	5,117
Delivery van	3,939	-	3,939
Board activities	2,824	-	2,824
Capital outlay	-	161,664	161,664
Total expenditures	5,083,539	161,664	5,245,203
Excess revenues (expenditures)	78,937	(161,497)	(82,560)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	48,657	48,657
Transfers out	(48,657)	-	(48,657)
Net other financing sources (uses)	(48,657)	48,657	-
Net change in fund balances	30,280	(112,840)	(82,560)
FUND BALANCES, BEGINNING	2,580,150	368,506	2,948,656
FUND BALANCES, ENDING	$ 2,610,430	$ 255,666	$ 2,866,096

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, 2019

Net Change in Fund Balances -Total Governmental Funds		**$ (82,560)**
Amounts reported for governmental activities in the statement of activities are different because:		
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 Assets and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation in the period exceeds capital outlays.		
Capital outlay for capital assets	$ 749,012	
Depreciation expense	(851,600)	
Loss on disposal of capital assets	(1,402)	
		(103,990)
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	295,135	
Cost of benefits earned	(735,975)	
		(440,840)
Govermental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employer contributions is reported as OPEB expense. This is the amount by which cost of benefits earned exceeded employer contributions.		
Employer contributions	95,710	
Cost of benefits earned	(140,772)	
		(45,062)
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.		
Principle portion of current year debt service		273,828
Net difference in accrual for interest payable on long-term debt		4,562
Net difference in accrual for accrued compensation (long term)		4,418
Change in Net Position of Governmental Activities		**$ (389,644)**

The accompanying notes are an integral part of this statement.

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 four 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.

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 Balances

GASB Statement 54 provides more clearly defined fund balance 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.

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.

Other Postemployment Benefits Plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement System Insurance Fund and additions to/deductions from KRS's fiduciary net position have been determined on the same basis as they are reported by KRS. 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.

Deferred Outflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

experience, (3) changes in assumptions and (4) changes in the proportionate share of the District's contributions to the pension fund and OPEB fund. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the District's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources – The District's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources reported in this year's financial statements relate to the District's pension plan and OPEB plan and include (1) changes in the proportionate share of the District's contributions to the pension fund and OPEB fund (2) difference between projected and actual earnings on plan investments (3) differences between expected and actual experience and (4) changes in assumptions. The deferred amount related to the changes in the proportionate share of the District's contributions to the pension fund and OPEB fund and the amount related to the differences between expected and actual experience will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred inflows of resources affect the governmental funds financial statements in the current year.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2019 is presented as supplementary information to 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, 2019, 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, 2019 was $2,706,803 and the bank balance was $2,846,470. The bank balances at each financial institution were covered with 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.

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2018	Additions	Adjustments Increases/ (Decreases)	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 1,970,244	$ -	$ -	$ 1,970,244
Construction in progress	199,728	16,809	-	216,537
Subtotal	2,169,972	16,809	-	2,186,781
Capital assets being depreciated:				
Buildings	5,615,055	14,900	-	5,629,955
Building and land improvements	1,575,825	25,713	(2,215)	1,599,323
Furniture, fixtures and equipment	1,698,839	131,356	(116,241)	1,713,954
Library Collections:				
Books, audio and visual materials	3,514,517	560,234	(763,717)	3,311,034
Subtotal	12,404,236	732,203	(882,173)	12,254,266
Total cost	14,574,208	749,012	(882,173)	14,441,047
Accumulated depreciation:				
Buildings	(2,670,315)	(144,039)	-	(2,814,354)
Building and land improvements	(647,558)	(95,450)	2,215	(740,793)
Furniture, fixtures and equipment	(1,352,395)	(114,181)	114,839	(1,351,737)
Library Collections:				
Books, audio and visual materials	(2,222,049)	(497,930)	763,717	(1,956,262)
Subtotal	(6,892,317)	(851,600)	880,771	(6,863,146)
Total Capital Assets, Net	$ 7,681,891	$ (102,588)	$ (1,402)	$ 7,577,901

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 a $2.6 million lease (loan) agreement with Fifth Third Bank. The loan required interest at 2.74% and annual payments of $296,959 are due each February 1. On June 22, 2018, Fifth Third Bank exercised their right under the lease agreement to require a supplemental payment in 2018 and subsequent years to preserve the same tax equivalent yield on the agreement due to the enactment of the Tax Cuts and Jobs Act of 2017. The modification resulted in the issuance of Reissued Obligations in exchange for the 2011 Obligations. On the reissuance date there were no cash proceeds of the Reissued Obligations and the deemed sale proceeds of the Reissued Obligations are deemed to be applied to the redemption of the 2011 Obligations. The interest yield increased to 3.33%. The loan will be paid in full on February 1, 2021. The loan is a tax supported lease. The balance of the loan on June 30, 2019 is $570,369. See Note 15.

NOTE 6 – LEASE/LOAN AGREEMENTS (CONTINUED)

Principal payments for the next five years are as follows:

Years	Principal	Interest	Total
2020	$ 281,330	$ 19,129	$ 300,459
2021	289,039	9,906	298,945
	$ 570,369	$ 29,035	$ 599,404

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019.

	Balance June 30, 2018	Principal Retired	Net Increase (Decrease)	Balance June 30, 2019
Lease agreement	$844,197	$(273,828)	$ -	$ 570,369
Accrued compensation	84,926	-	(4,418)	80,508
Total	$929,123	$(273,828)	$ (4,418)	$ 650,877

NOTE 8 – OPERATING LEASES

On August 15, 2017, the District entered into a commercial lease agreement for space for the South Branch in Alexandria, KY. The lease term is five years and will expire on January 14, 2023. Annual lease payments are due January 15 of each year the lease is in effect.

On July 20, 2016, the District entered into an operating lease agreement for four copiers located throughout the District. The lease term is five years and will expire June 30, 2021. Lease payments are made on a monthly basis.

The future lease payments related to the leases as of June 30, 2019 are summarized as follows:

Fiscal Year Ending June 30	Alexandria Lease	Copier Leases	Total
2020	$ 40,000	$ 5,940	$ 45,940
2021	40,000	5,940	45,940
2022	40,000	-	40,000
	$ 120,000	$ 11,880	$ 131,880

NOTE 9 – GRANTS

The District received $41,237 in 2019 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 10 – 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.

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

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

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

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

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

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are required to contribute 5% of their annual creditable compensation. Tier 2 and 3 employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2019 was 21.48%, of which 16.22% was for the pension fund and 5.26% was for the insurance fund. Contributions to the pension plan from the District were $390,845 for the year ended June 30, 2019, of which $295,135 was for the pension fund and $95,710 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, 2019, the District reported a liability of $4,347,625 for its proportionate share of the net pension liability. The net pension liability was based on an actuarial valuation performed on June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. The District's proportionate share of the net pension liability was determined using the Districts' actual contributions for the fiscal year ending June 30, 2018. This method was expected to be reflective of the Districts' long-term contribution effort. At June 30, 2018, the District's proportion was 0.071386%, which was a decrease of 0.000772% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $735,975. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 141,807	$ 63,640
Changes of assumptions	424,889	-
Net difference between projected and actual earnings on plan investments	-	52,130
Changes in proportion and differences between District contributions and proportionate share of contributions	9,590	45,049
District contributions subsequent to the measurement date	295,135	-
	$ 871,421	$ 160,819

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

The $295,135 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, 2020. 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:	
2020	$ 336,607
2021	157,553
2022	(55,358)
2023	(23,335)
	$ 415,467

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

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

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.

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

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

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Long-Term Expected Rate of Return. The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	4.83%
International Equity	17.50%	6.88%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	5.94%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	

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

	Decrease (5.25%)	Discount Rate (6.25%)	Increase (7.25%)
District's proportionate share of the net pension liability	$ 5,473,210	$ 4,347,625	$ 3,404,582

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

Payables to the pension plan

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2019, there was no payable to the pension plan.

NOTE 11 – POSTEMPLOYMENT BENEFITS

Plan description. Employees of the District are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.701, the Board of

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at https://kyret.ky.gov.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of contributions paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2018 is $13.38 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the insurance fund. Employers contribute at the rate determined by the Board. As stated in Note 10 Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2019 was 21.48%, of which 16.22% was for the pension fund and 5.26% was for the insurance fund. See Note 10 for contributions to the plan from the District during the current fiscal year.

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

At June 30, 2019, the District reported a liability of $1,267,391 for its proportionate share of the net OPEB liability. The net OPEB liability was based on an actuarial valuation performed on June 30, 2017. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). The District's proportion of the net OPEB liability was determined using the Districts' actual contributions for the fiscal year ending June 30, 2018. This method is expected to be reflective of the Districts' long-term contribution effort. At June 30, 2018, the District's proportion was 0.071383%, which was a decrease of 0.000775% from its proportion measured as of June 30, 2017.

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of $161,218. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 147,698
Changes of assumptions	253,117	2,928
Net difference between projected and actual earnings on plan investments	-	87,298
Changes in proportion and differences between District contributions and proportionate share of contributions	-	18,519
District contributions subsequent to the measurement date	116,156	-
	$ 369,273	$ 256,443

The $116,156 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ 894
2021	894
2022	894
2023	17,849
2024	(14,621)
2025	(9,237)
	$ (3,327)

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

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05%, average,
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (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.

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

Discount rate. The discount rate used to measure the total OPEB liability was 5.85%. 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 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

The long-term expected rate of return on plan assets is the same as disclosed in Note 10 Employee's Pension Plan. Additionally, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are the same as disclosed in Note 10.

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85 %) or 1-percentage-point higher (6.85%) than the current rate

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
District's proportionate share of the net OPEB liability	$ 1,646,138	$ 1,267,391	$ 944,768

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 943,585	$ 1,267,391	$ 1,649,065

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

Payables to the OPEB plan

The District makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note 10 Employee's Pension Plan for payable as of June 30, 2019.

NOTE 12 – 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 2018 are as follows:

Category:	Tax Rates 2018
Real property	$ 7.5 mills
Tangible personal property other than motor vehicles & watercraft	$ 7.5 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 2018-2019 amounted to $4,758,986.

NOTE 13 – 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 sought declaration that the District illegally set its tax rates and refunds of all tax payments that were improperly collected. The District believed it had increased its rates in accordance with Kentucky Revised Statute 132 and vigorously defended 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, was 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 District's position. In March 2017, the Plaintiffs filed a Notice of Appeal with the Kentucky Court of Appeals seeking to overturn the Campbell County Circuit Court's decision. In January 2018, the Kentucky Court of Appeals unanimously concurred that the March 2015 decision of the Court of Appeals was prospective only as the Court's harmonization of KRS 173 and KRS 132 could not have been followed in the past and the District acted in good faith by following KRS 132. In late January 2018, the Plaintiffs filed a Motion for

NOTE 13 – CONTINGENCIES (CONTINUED)

Discretionary Review with the Kentucky Supreme Court who declined the motion in June 2018. In September 2018, the Plaintiffs filed a petition with the U.S. Supreme Court contending that they were denied due process by the Kentucky courts. On November 13, 2018, the U.S. Supreme Court denied the Plaintiff's petition. With this denial, all avenues of appeal have been exhausted.

NOTE 14 – TAX ABATEMENTS

In January 2013, the District entered into a Tax Increment Financing (TIF) District tax abatement agreement to assist with the funding of the Manhattan Harbour Development in Dayton, Kentucky; a city within the District's taxing area. Under the agreement, localities and taxing districts may grant property tax abatements of 50 percent of the incremental real estate tax growth for properties within the defined financing district. These TIF districts must be approved by the localities and taxing districts upon which they draw the abatements. For the fiscal year ended June 30, 2019, the District refunded property taxes totaling $4,672 under this program. The District also retroactively activated a TIF for the Ovation project in Newport, Kentucky. No taxes were abated for this project in the current year.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 3, 2019, the date which the financial statements were available to be issued.

On August 1, 2019 the District entered into a joint venture with six school districts in the county known as the Campbell County Imagination Library (CCIL). CCIL partners with the Dolly Parton Imagination Library to provide an age appropriate book to children registered in the program who are between the ages of 0-5 years-old living in a Campbell County zip code.

In September 2019, the District entered into a loan agreement with Kentucky Association of Counties Finance Corporation (KACo) to refinance the existing long-term debt and finance the construction of building improvements at the Newport Branch. The total of the KACo loan is $1.2 million. The interest rate is 1.76% and annual payments averaging $188,172 are due each January 15. The loan will be paid in full on January 15, 2026.

There were no material subsequent events that require recognition or additional disclosure in these financial statements, except as noted above.

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CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2019

	Original and Final Budget	Actual Budgetary Basis
REVENUES:		
Property taxes	$ 4,812,000	$ 4,672,025
Library fines and fees	49,000	42,139
Donations	31,000	71,751
Grants	184,000	206,759
Investment earnings	30,135	67,552
Miscellaneous	1,000	18,429
Total revenues	5,107,135	5,078,655
EXPENDITURES:		
Salaries and benefits	2,849,200	2,804,654
Retirement	395,000	390,845
Books and library materials	720,000	692,552
Debt service	337,000	339,072
Programming and PR expense	212,000	233,950
Utilities	141,000	156,452
Maintenance and repair	127,360	137,120
Contracted computer service	77,550	72,032
Insurance	54,000	54,361
Office supplies	24,300	21,207
Legal and professional services	34,000	36,751
Staff development and training	35,200	29,825
Travel	17,000	14,858
Telephone	23,000	28,027
Postage	23,000	18,183
Miscellaneous	19,000	16,851
Association dues	6,600	5,117
Delivery van	6,300	3,939
Board activities	4,625	3,325
Capital outlay	91,000	144,855
Total expenditures	5,197,135	5,203,976
Excess revenues (deficiency) over expenditures	(90,000)	(125,321)

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, 2019

	Original and Final Budget	Actual Budgetary Basis
Excess revenue (deficiency) over expenditures - forward	$ (90,000)	$ (125,321)
OTHER FINANCING SOURCES (USES):		
Transfers in	90,000	-
Transfers out	-	(48,657)
Net other financing sources (uses)	90,000	(48,657)
Net change in fund balance	$ -	$ (173,978)

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)	$ 5,078,655
Differences - budget to GAAP:	
The District budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis	83,821
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	$ 5,162,476
Uses/expenditures:	
Actual amounts (budgetary basis)	$ 5,203,976
Differences - budget to GAAP:	
The District budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	(120,437)
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	$ 5,083,539

The accompanying notes are an integral part of this statement.

NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2019

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*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.071386%	0.072158%	0.073319%	0.071216%	0.063872%					
District's proportionate share of the net pension liability (asset)	$ 4,347,625	$ 4,223,630	$ 3,609,966	$ 3,061,940	$ 2,072,262					
District's covered-employee payroll	$ 1,772,087	$ 1,758,167	$ 1,745,147	$ 1,677,736	$ 1,443,552					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.34%	240.23%	206.86%	182.50%	143.55%					
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.32%	55.50%	59.97%	66.80%					

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

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

SCHEDULE OF DISTRICT PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 295,135	$ 257,867	$ 245,223	$ 216,747	$ 213,911	$ 198,344				
Contributions in relation to the contractually required contribution	$ (295,135)	$ (257,867)	$ (245,223)	$ (216,747)	$ (213,911)	$ (198,344)				
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
District's covered-employee payroll	$ 1,823,228	$ 1,772,087	$ 1,758,167	$ 1,745,147	$ 1,677,736	$ 1,443,552				
Contributions as a percentage of covered-employee payroll	16.19%	14.55%	13.95%	12.40%	12.75%	13.74%				

The accompanying notes are an integral part of this statement.

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2019

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.

2017:

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

Method and assumptions used in calculations of actuarially determined contributions. The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50%

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

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

County Employees Retirement System

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net OPEB liability (asset)	0.071383%	0.072158%								
District's proportionate share of the net OPEB liability (asset)	$ 1,267,391	$ 1,450,623								
District's covered-employee payroll	$ 1,772,087	$ 1,758,167								
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	71.52%	82.51%								
Plan fiduciary net position as a percentage of the total pension liability	57.62%	52.39%								

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

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 95,710	$ 83,700	$ 83,100							
Contributions in relation to the contractually required contribution	$ (95,710)	$ (83,700)	$ (83,100)							
Contribution deficiency (excess)	$ -	$ -	$ -							
District's covered-employee payroll	$ 1,823,228	$ 1,772,087	$ 1,758,167							
Contributions as a percentage of covered-employee payroll	5.25%	4.72%	4.71%							

The accompanying notes are an integral part of this statement.

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2019

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

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

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

2017

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

Method and assumptions used in calculations of actuarially determined contributions. The following actuarial methods and assumptions were used to determine the actuarially determined contribution effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	27 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increase	4.00%, average
Investment rate of return	7.50%
Healthcare trend rates	Pre – 65: Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years Post – 65: Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

ADMINISTRATIVE EXPENSE DETAIL

June 30, 2019

Utilities and telephone	$185,813
Professional services	36,751
Contracted computer service	74,304
Office supplies	25,349
Staff development	30,825
Postage	18,183
Travel	14,858
Association dues	5,117
Delivery van	3,939
Board activities	2,824
Miscellaneous	16,851
Total Administrative Expenses	$414,814

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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, 2019, 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 3, 2019.

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.

December 3, 2019