

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

FINANCIAL STATEMENTS

Year Ended June 30, 2015

WITH

Independent Auditors' Report

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2015

WITH

Independent Auditors' Report

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	3 - 11
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Basic Financial Statements	18 – 28
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	29 – 30
Notes to Budgetary Comparison Schedule	31
Schedule of the District's Proportionate Share of the Net Pension Liability	32
Schedule of District Contributions	33

TABLE OF CONTENTS (CONTINUED)

OTHER SUPPLEMENTARY INFORMATION:	<u>Pages</u>
Administrative Expense Detail	34
Exhibit I - 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 <i>Government Auditing Standards</i>	35 - 36



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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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, as amended by *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 29 through 31; the schedule of the District's proportionate share of net pension liability on page 32; and the schedule of District contributions on page 33 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 34 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 10, 2015, 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 10, 2015

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

A. The Current State of Campbell County

Campbell County has been lucky, relatively speaking, during the "Great Recession". Growth has continued and the county's tax base has actually improved. Businesses continue to move to the county in many industries, especially food service and retail.

South

The southward expansion of Highway 27 continues along the corridor south of the Library's property on Parkside Drive. The proposed expansion of the sanitation lines along the Kentucky Highway 9/AA is still in the planning stages but is expected to begin soon. The Arcadia subdivision has begun selling homes and has a wide area of infrastructure under construction.

Mid-County

The mid-part of the county is doing well with retail and service industry businesses. Tire Discounters recently expanded its operation in Cold Spring and LaRosa's will soon open a new restaurant along the Highway 27 corridor in Cold Spring. Highland Heights has filled the series of store front buildings near the post office and the stores/restaurants at the termination point of I-471 in Highland Heights are doing very well. Northern Kentucky University continues to build new facilities for its students which adds to the economic impact of the university.

North

There has been, to my knowledge, no further development on either the I-471 Corridor Study or the I-471/Kentucky Route 8 Project.

The Newport Pavilion shopping complex around Target/Kroger has continued to fill with new businesses. The area has heavy use. Construction and improvements along Carothers Road to the west of this complex also continues with the old K-Mart building now being re-purposed.

There has been no activity on the Newport Ovation project, but the expansion of Kentucky 9/AA Highway into Newport is underway. The completion of this project should be the last hurdle before the Ovation project begins.

The Manhattan Harbour Project has begun selling homes. Some of the main infrastructure, including a very nice roadway, has been completed.

A hotel/business complex is currently under construction beside Newport-on-the-Levee. This addition is massive and should be a great asset to that already popular area. Monmouth Street feeds north into the Levee area and has also undergone great transformation. While there are some empty storefronts, there are also many specialty shops: bicycle stores, coffee shops, and antique shops along with small restaurants.

The "historic" storefront area through the center of Bellevue has developed nicely over the last five to ten years. Most of the storefronts along the Kentucky 8 corridor through Bellevue are occupied with businesses serving a variety of specialty needs: candy shops, leatherworking, jewelry stores, etc. The development has been steady and solid for this strip of older architecture.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

Bellevue and Newport are now "connected" to Covington and downtown Cincinnati with a "Red Bike" rental service.

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 FY2014-15 was approved by the Board of Trustees on May 21, 2014. The District's fiscal year began on July 1, 2014 and ended on June 30, 2015.

Budgeted Income

The District's budgeted income for FY2014-15 was \$4,802,045. The bulk of this anticipated income came from locally assessed taxes (\$4,474,000 or 93.17%). Other components of the District's income included:

- Donations (\$31,000, 0.65%);
- Grants and State Aid (\$182,045, 3.79%);
- Other Income (\$6,000, 0.12%);
- Service charges (\$109,000, 2.27%).

Tax Rates

On August 20, 2014, the Board of Trustees adopted the following tax rates:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

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

Budgeted Expenditures

Budgeted expenditures for FY2014-15 were \$4,802,045. Budgeted expenditures were broken down into:

- Capital Expenditures (\$146,700, 3.05%);
- Collection Expenditures [books, audiovisuals, and other circulating materials] (\$710,000, 14.79%);
- Operating Expenditures (\$1,097,845, 22.86%);
- Personnel Expenditures (\$2,847,500, 59.3%).

Actual Income/Expenditures – Governmental Funds

Actual income for the District was \$4,915,357. Income exceeded budgeted expectations by 2.36%. The bulk of the overage in income is attributable to an unexpected increase in tax revenue (approximately \$104,300) from all sources.

Actual expenditures were \$5,055,621 or 5.28% above expectations. The bulk of the expenses over those budgeted came from capital expenditures related to construction on the lower level of the Newport Branch (about \$448,000 above the \$63,000 budgeted). This project increased drastically in scope as we sought to correct problems with the geothermal system, roof, as well as finish more spaces than originally anticipated. In total, \$146,700 was budgeted for capital expenditures while the actual amount spent was \$625,533. The overage in expenditures was covered by the transfer of funds from reserves and the overage in income from taxes.

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 7, 2015, the remaining balance is \$1,622,638.

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 \$477,273 or 7%. Approximately 68% 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 \$315,098 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. The FY 2014 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, 2015

**Table 1
Net Position**

	<u>FY 2015</u>	<u>FY 2014</u>
Current and other assets	\$ 3,492,245	\$ 3,633,667
Capital assets	<u>7,553,321</u>	<u>7,232,072</u>
Total Assets	<u>11,045,566</u>	<u>10,865,739</u>
Deferred Outflows of Resources	<u>296,456</u>	<u>272,687</u>
Total Assets and Deferred Outflows	<u>11,342,022</u>	<u>11,138,426</u>
Long-term liabilities	3,767,559	4,279,216
Other liabilities	<u>235,533</u>	<u>228,868</u>
Total Liabilities	<u>4,003,092</u>	<u>4,508,084</u>
Deferred Inflows of Resources	<u>231,315</u>	-
Total Liabilities and Deferred Inflows	<u>4,234,407</u>	<u>4,508,084</u>
Invested in capital assets, net of debt	5,930,683	5,363,670
Restricted	457,766	405,468
Unrestricted	<u>719,166</u>	<u>861,204</u>
Total Net Position	<u>\$ 7,107,615</u>	<u>\$ 6,630,342</u>

**Table 2
Change in Net Position**

	<u>FY 2015</u>	<u>FY 2014</u>
REVENUES		
Program Revenues		
Charges for services	\$ 85,919	\$ 109,401
Operating grants and contributions	114,610	111,715
Capital grants and contributions	114,569	114,315
General Revenues		
Taxes – real estate, property, and motor vehicle	4,578,266	4,453,683
Investment earnings	5,871	4,890
Miscellaneous	8,328	3,502
Loss on disposal of capital assets	(4,035)	(5,136)
Total Revenues	<u>4,903,528</u>	<u>4,792,370</u>
PROGRAM EXPENSES		
Personnel	2,701,057	2,612,991
Depreciation	670,080	804,488
Administrative	378,923	376,633
Maintenance and repair	149,102	164,209
Programming and PR expense	214,714	200,589
Interest	48,242	54,796
Periodicals and online databases	254,902	164,639
Small equipment purchases	<u>9,235</u>	<u>11,487</u>
Total Expenses	<u>4,426,255</u>	<u>4,389,832</u>
INCREASE IN NET POSITION	<u>\$ 477,273</u>	<u>\$ 402,538</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

Financial Outlook

The District maintains a "reserve" of about \$1,000,000 which would, if necessary, allow us to weather a small crisis or short delay in tax payments. (The carryover funds from one fiscal year to the next are not "reserves" as they must sustain library operations from July through December when the large property tax payment is received. The 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 lawsuit against the District was resolved in the District's favor on December 10, 2015. Campbell County Circuit Court ruled in April 2013 that the District was improperly adjusting its tax rate using KRS 132. The case moved to the Kentucky Court of Appeals. The Court of Appeals granted the District's motion for intermediate relief in September 2013. This ruling allows the District to maintain its 2012 tax rates (7.7 cents per \$100 of valuation for Real Property, 9.4 cents per \$100 for Personal Property, and 2.6 cents per \$100 for Motor Vehicles and Watercraft) through the course of the appeal. The lawsuit was fully briefed by the District's attorneys and the opposing attorneys by January 2014. In November 2014, oral arguments were heard by the Court of Appeals and, subsequently, the Court delivered a favorable ruling (with no dissenting opinions) on March 19, 2015. The plaintiffs filed a Motion for Discretionary Review with the Kentucky Supreme Court on April 20, 2015. On December 10, 2015, the Supreme Court declined to reconsider the appeals court ruling and denied the motion to discretionary review submitted by plaintiffs.

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 has adjusted its rate in accordance with the statutes contained in KRS 132, commonly referred to as "House Bill 44." The lawsuit was a class action filed on behalf of Charles Coleman, Erik Hermes, and John P. Roth, Jr. who claim to represent all of the taxpayers in the county. If the lawsuit had been successful, the loss of income for the District would have been insurmountable in terms of maintaining current levels of service. Our existing debts would have been repaid, as required by law, but branches would have closed, staff would have lost their jobs, and services would have been eliminated or seriously curtailed.

C. The Current State of the District

Overall, the District has been doing extremely well in providing services to its patrons. Changes in January 2015 to circulation procedures were resoundingly appreciated by our patrons. Circulation in FY 2014-15 was the highest ever recorded: 1,173,230 items (including e-materials) or a 11.15% increase. We are also very happy with attendance of our programs, which was the highest ever at 55,811 attendees. Through partnerships with other community organizations, we are reaching more people in the county.

Staffing

Salary increases in FY2014-15 were based on 2% of midpoint for the staff member's classification. Additionally, the District began to move its salary schedule toward a minimum of \$10.10/hour. Adjustments to both the entry level salaries and job classifications in FY2014-15 began that incremental increase process which will continue for about two more years.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

Facilities

The District has not begun construction for the South Branch. At this time, the plans for this building have been indefinitely delayed. The capital campaign continues to collect funds (with a great deal of success) from people who pledged over a five year period.

The Newport Branch's lower level now has a large meeting room (seating approximately 200 people), a lockable storage area, an additional storage room, and a large maintenance area. The Friends of the Library are still using two spaces on the lower level for their book sales. We also corrected problems with the sizing of gutters and storm water drainage pipes to eliminate several roof leaks. An additional geothermal well pump was added to allow for redundancy in case of failure. The existing geothermal well pump was replaced. The parking lot is being expanded due to the increased meeting room space.

At Fort Thomas, we have added "bollards" to protect the side of the building along the parking lot after an accident in late 2014.

At Cold Spring (and at Newport), we added snow/ice guards along all edges of the roof line.

The work on the parking lot at Cold Spring was delayed after an easement for a non-existing, but planned street in the City of Cold Spring was found. We are working with the City now to get that easement lifted.

Collection

The District closed the Fort Thomas location for one day in August 2015 to inventory both its materials collection and fixed assets. No significant issues were found in either inventory.

The digital collection is doing very well. The average monthly circulation in this collection grew from approximately 3,300 items in FY2013-14 to approximately 5,200 items per month in FY2014-15.

We try to maintain about 15% of our overall expenditures for the collection. That percentage dropped to 14.79% in FY2014-15 but we will strive to increase it in future years.

Operations

We made two significant adjustments to circulation procedures in FY2014-15. First, we equalized the fines for all materials and borrower types to \$0.10 per day for all items. That change does have some impact on revenues from fines but the resulting good will from our patrons has been well worth it. Second, we began automatically renewing items that our patrons keep past the due date. Again, this action does have some impact on revenue from fines but patrons really appreciate the service.

Technology

As part of the cycle of equipment replacement, we replaced some public computers and servers. The overall cost for replacing computer equipment is large, about \$50,000 per year, but it's important to keep our systems updated.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

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. The Commonwealth of Kentucky is poised to begin the KentuckyWired project which will make high-speed internet connectivity available to vast regions of the state. As part of this effort, KDLA seeks to solicit one uniform fee for all public libraries in Kentucky for accessing this service. We are not obligated to accept this bid but will, of course, if it results in reduced costs and better service.

In March 2015, the District launched its first "app". An "app" is a program that resides on a portable device like a smartphone or tablet computer. Our "app" provides faster access to the District's catalog of materials and quick registration for programs. It has been very well received and has about 4,500 users currently.

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 1.1% for FY2013-14. (Source: *Statistical Report of Kentucky Libraries 2013-14*. This is the most current data available.) In FY2014-15, Campbell County Public Library saw a 12.55% increase in circulation, well above the state-wide increase. Changes in circulation policies helped greatly with this increase. The Campbell County Public Library ranks fifth in the state for total circulation.

	<i>2013-14</i>	<i>2014-15</i>	<i>% Change</i>
<i>Adult Fiction</i>	149,215	148,826	-0.26
<i>Adult Nonfiction</i>	169,960	175,891	3.49
<i>Juvenile Fiction</i>	187,218	215,950	15.35
<i>Juvenile Nonfiction</i>	35,906	40,829	13.71
<i>Videos/DVDs</i>	355,798	425,517	19.60
<i>Audios</i>	31,021	30,395	-2.02
<i>Music</i>	54,632	53,295	-2.45
<i>Software</i>	19,603	20,237	3.23
<i>E-materials</i>	39,098	62,290	59.32
Total	1,042,451	1,173,230	12.55

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

Collection

The size of the collection is one determinant of a District'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.

	2013-14	2014-15	% Change
<i>Adult Fiction</i>	48,386	45,722	-5.51
<i>Adult Nonfiction</i>	43,842	36,426	-16.92
<i>Juvenile Fiction</i>	65,534	64,801	-1.12
<i>Juvenile Nonfiction</i>	26,368	24,848	-5.76
<i>Videos/DVDs</i>	24,785	24,631	-0.62
<i>Audiobooks</i>	10,950	11,051	0.92
<i>Music</i>	14,782	14,948	1.12
<i>Software</i>	1,414	1,403	-0.78
<i>E-materials</i>	107,106	122,086	13.99
Total	343,167	345,916	0.80

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 0.2% for FY2013-14. (Source: *Statistical Report of Kentucky Libraries 2013-14*. This is the most current data available.) The Campbell County Public Library ranks sixth in the state for the total number of annual visits.

	2013-14	2014-15	% Change
<i>Cold Spring</i>	214,882	207,523	-3.42
<i>Carrico/Fort Thomas</i>	211,356	194,214	-8.11
<i>Newport</i>	229,973	224,016	-2.59
Total	656,211	625,753	-4.64

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.

Attendance

	2013-14	2014-15
<i>Cold Spring</i>	12,374	23,585
<i>Carrico/Fort Thomas</i>	12,089	11,931
<i>Newport</i>	15,467	20,295
Total	39,930	55,811

Programs

	2013-14	2014-15
<i>Cold Spring</i>	697	934
<i>Carrico/Fort Thomas</i>	692	775
<i>Newport</i>	597	727
Total	1,986	2,436

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2015

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, 2015

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,032,065
Certificates of deposit	306,716
Accounts receivable	2,360
Pledges receivable	61,942
Taxes receivable	21,196
Prepaid expenses	67,966
Capital assets, net of accumulated depreciation	<u>7,553,321</u>
Total assets	11,045,566
DEFERRED OUTFLOW OF RESOURCES	
Pension contribution for fiscal year 2015	<u>296,456</u>
Total assets and deferred outflow of resources	<u>\$ 11,342,022</u>
LIABILITIES	
Accounts payable	\$ 70,801
Salaries and benefits payable	143,366
Accrued interest payable	21,366
Long-term liabilities:	
Due within one year	252,498
Due in more than one year	1,442,799
Net pension liability	<u>2,072,262</u>
Total liabilities	<u>4,003,092</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to pensions	<u>231,315</u>
Total liabilities and deferred inflow of resources	<u>4,234,407</u>
NET POSITION	
Invested in capital assets, net of related debt	5,930,683
Restricted for South Branch collection	457,766
Unrestricted	<u>719,166</u>
Total net position	<u>\$ 7,107,615</u>

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, 2015				Net (Expenses) Revenues and Changes in Net Position
	Program Revenues			Total Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Personnel	\$ 2,701,057	\$ -	\$ -	\$ -	\$ (2,701,057)
Depreciation	670,080	-	-	-	(670,080)
Administrative expenses	378,923	-	-	-	(378,923)
Maintenance and repair	149,102	-	-	-	(149,102)
Programming and PR expense	214,714	-	-	-	(214,714)
Interest expense	48,242	-	-	-	(48,242)
Books, periodicals and online databases	254,902	-	-	-	(254,902)
Small equipment purchases	9,235	-	-	-	(9,235)
Revenue	-	85,919	114,610	114,569	315,098
Total governmental activities	4,426,255	85,919	114,610	114,569	(4,111,157)

GENERAL REVENUES:

Taxes:	
Taxes levied for general purpose	4,578,266
Investment earnings	5,871
Miscellaneous	8,328
Loss on disposal of capital assets	(4,035)
Total general revenues	<u>4,588,430</u>
Change in net position	<u>477,273</u>
NET POSITION, BEGINNING	<u>8,702,464</u>
Prior period adjustment - See Note 11	<u>(2,072,122)</u>
NET POSITION, ENDING	<u><u>\$ 7,107,615</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, 2015

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,942,958	\$ 89,108	\$ 3,032,066
Certificates of deposit	-	306,716	306,716
Accounts receivable	2,360	-	2,360
Pledges receivable	-	262	262
Taxes receivable	21,196	-	21,196
Prepaid expenditures	<u>67,966</u>	<u>-</u>	<u>67,966</u>
Total assets	<u><u>\$ 3,034,480</u></u>	<u><u>\$ 396,086</u></u>	<u><u>\$ 3,430,566</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 70,802	\$ -	\$ 70,802
Salaries and benefits payable	<u>143,366</u>	<u>-</u>	<u>143,366</u>
Total liabilities	<u>214,168</u>	<u>-</u>	<u>214,168</u>
FUND BALANCES			
Nonspendable	67,966	-	67,966
Committed	-	396,086	396,086
Unassigned	<u>2,752,346</u>	<u>-</u>	<u>2,752,346</u>
Total fund balances	<u>2,820,312</u>	<u>396,086</u>	<u>3,216,398</u>
Total liabilities and fund balances	<u><u>\$ 3,034,480</u></u>	<u><u>\$ 396,086</u></u>	<u><u>\$ 3,430,566</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, 2015

Total Governmental Fund Balances	\$	3,216,398
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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.		61,680
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost of capital assets	\$ 12,704,412	
Accumulated depreciation	<u>(5,151,091)</u>	
		7,553,321

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	252,498	
Due in more than one year	1,370,140	
Net pension liability	<u>2,072,262</u>	
		(3,694,900)

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	296,456	
Deferred inflow of resources	<u>(231,315)</u>	
		65,141

Accrued interest payable not due in the current year is recorded as long-term debt		(21,366)
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Accrued compensation not due in the current year is recorded as long-term debt.		<u>(72,659)</u>
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<i>Net Position of Governmental Activities</i>	<u>\$</u>	<u>7,107,615</u>
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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, 2015		
	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes levied	\$ 4,578,266	\$ -	\$ 4,578,266
Library fines and fees	85,919	-	85,919
Donations	27,693	8,320	36,013
Grants	200,960	-	200,960
Investment earnings	5,871	-	5,871
Miscellaneous income	8,328	-	8,328
Total revenues	<u>4,907,037</u>	<u>8,320</u>	<u>4,915,357</u>
EXPENDITURES			
Salaries and benefits	2,462,948	-	2,462,948
Retirement	296,456	-	296,456
Books and library materials	633,970	-	633,970
Debt service	272,641	-	272,641
Programming and PR expense	214,714	-	214,714
Utilities	130,789	-	130,789
Maintenance and repair	98,614	-	98,614
Contracted computer service	80,736	-	80,736
Insurance	50,488	-	50,488
Library and office supplies	31,704	-	31,704
Legal and professional services	35,357	-	35,357
Staff development and training	29,743	-	29,743
Travel	14,948	-	14,948
Telephone	23,088	-	23,088
Postage	18,057	-	18,057
Miscellaneous	4,014	-	4,014
Association dues	5,892	-	5,892
Delivery van	2,285	-	2,285
Board activities	2,278	-	2,278
Capital outlay	-	625,533	625,533
Total expenditures	<u>4,408,722</u>	<u>625,533</u>	<u>5,034,255</u>
Excess revenues (expenditures)	<u>498,315</u>	<u>(617,213)</u>	<u>(118,898)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	677,334	677,334
Transfers out	(677,334)	-	(677,334)
Net other financing sources (uses)	<u>(677,334)</u>	<u>677,334</u>	<u>-</u>
Net change in fund balances	<u>(179,019)</u>	<u>60,121</u>	<u>(118,898)</u>
FUND BALANCES, BEGINNING	<u>2,999,331</u>	<u>335,965</u>	<u>3,335,296</u>
FUND BALANCES, ENDING	<u>\$ 2,820,312</u>	<u>\$ 396,086</u>	<u>\$ 3,216,398</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, 2015

Net Change in Fund Balance-Total Governmental Funds	\$	(118,898)
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term pledges receivable are not recorded in the governmental funds but are reported as revenue in the Statement of Activities. This is the amount of long-term pledges receivable in the current period. (7,794)

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	\$	995,365	
Depreciation expense		(670,081)	
Loss on disposal of capital assets		<u>(4,035)</u>	
			321,249

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 employer contributions exceeded cost of benefits earned.

Employer contributions		296,456	
Cost of benefits earned		<u>(231,455)</u>	
			65,001

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		245,765	
Net difference in accrual for interest payable on long-term debt			(21,366)
Net difference in accrual for accrued compensation (long-term)			<u>(6,684)</u>

<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>477,273</u>
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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, 2015

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, 2015

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accompanying financial statements generally reflect such transactions as transfers. These transfers are eliminated in the statement of activities.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 is presented on page 29 and 30 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, 2015, 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, 2015 was \$3,338,781 and the bank balance was \$3,666,983. 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, 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2014	Additions	Adjustments Increases/ (Decreases)	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,970,244	\$ -	\$ -	\$ 1,970,244
Construction in progress	<u>199,728</u>	<u>-</u>	<u>-</u>	<u>199,728</u>
Subtotal	2,169,972	-	-	2,169,972
Capital assets being depreciated:				
Buildings	5,615,055	-	-	5,615,055
Building improvements	594,510	507,541	-	1,102,051
Furniture, fixtures and equipment	1,395,929	108,756	(7,839)	1,496,846
Library Collections:				
Books, audio and visual materials	<u>2,669,056</u>	<u>379,068</u>	<u>(727,636)</u>	<u>2,320,488</u>
Subtotal	<u>10,274,550</u>	<u>995,365</u>	<u>(735,475)</u>	<u>10,534,440</u>
Total cost	<u>12,444,522</u>	<u>995,365</u>	<u>(735,475)</u>	<u>12,704,412</u>
Accumulated depreciation:				
Buildings	(2,094,412)	(143,976)	-	(2,238,388)
Building improvements	(291,464)	(69,250)	-	(360,714)
Furniture, fixtures and equipment	(1,147,864)	(87,111)	3,804	(1,231,171)
Library Collections:				
Books, audio and visual materials	<u>(1,678,710)</u>	<u>(369,744)</u>	<u>727,636</u>	<u>(1,320,818)</u>
Subtotal	<u>(5,212,450)</u>	<u>(670,081)</u>	<u>731,440</u>	<u>(5,151,091)</u>
Total Capital Assets, Net	<u>\$ 7,232,072</u>	<u>\$ 325,284</u>	<u>\$ (4,035)</u>	<u>\$ 7,553,321</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, 2015 is \$1,622,638.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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>
2016	\$ 252,498	\$ 44,461	\$ 296,959
2017	259,417	37,542	296,959
2018	266,525	30,434	296,959
2019	273,828	23,131	296,959
2020	281,331	15,628	296,959
2021	<u>289,039</u>	<u>7,920</u>	<u>296,959</u>
	<u>\$1,622,638</u>	<u>\$159,116</u>	<u>\$1,781,754</u>

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2015.

	<u>Balance June 30, 2014</u>	<u>Principal Retired</u>	<u>Net Increase (Decrease)</u>	<u>Balance June 30, 2015</u>
Lease agreement	\$1,868,402	\$(245,764)	\$ -	\$1,622,638
Net pension liability	2,344,809	-	(272,547)	2,072,262
Accrued compensation	<u>66,005</u>	<u>-</u>	<u>6,654</u>	<u>72,659</u>
Total	<u>\$4,279,216</u>	<u>\$(245,764)</u>	<u>\$ (265,893)</u>	<u>\$3,767,559</u>

NOTE 8 – GRANTS

The District received \$45,941 in 2015 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, 2015

NOTE 9 – RETIREMENT PLANS

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.

Effective July 1, 2009, and on July 1 of each year thereafter, the cost-of-living adjustment (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-rate 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. On July 1, 2013, the COLA was not granted.

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, 2015 was 17.67%. Contributions to the pension plan from the District were \$296,456 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$2,072,262 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the District's proportion was 0.063872%.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of \$231,455. At June 30, 2015, 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 231,315
District contributions subsequent to the measurement date	\$ 296,456	\$ -
	<u>\$ 296,456</u>	<u>\$ 231,315</u>

The \$296,456 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, 2016. 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:

2016	\$ 46,263
2017	46,263
2018	46,263
2019	46,263
2020	46,263
	<u>\$ 231,315</u>

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after the disability retirement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – RETIREMENT PLANS (CONTINUED)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005–June 30, 2008.

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 2005 through 2008, is outlined in a report dated August 25, 2009. 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 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
		Nominal Rate of Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	11.25%
Real estate	5%	7.00%
Core US fixed income	10%	5.25%
High yield US fixed income	5%	7.25%
Non US fixed income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – RETIREMENT PLANS (CONTINUED)

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,726,958	\$ 2,072,262	\$ 1,493,823

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, 2015, \$29,986 was 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 2014 are as follows:

Category:	<u>Tax Rates</u>
	<u>2014</u>
Real property	\$ 7.7 mills
Tangible personal property other than motor vehicles & watercraft	\$ 9.4 mills
Motor vehicles	\$ 2.60 mills
Watercraft	\$ 2.60 mills

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 10 – PROPERTY TAX (CONTINUED)

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 2014 - 2015 amounted to \$4,578,266.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The District has recorded an adjustment to the Beginning Net Position of (\$2,072,122) at July 1, 2014. This adjustment accounts for the estimated net pension liability at June 30, 2014, and is being recorded in accordance with Government Accounting Standards Board Statement No. 68.

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..

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 10, 2015, 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, 2015

	Original and Final Budget	Actual Budgetary Basis
REVENUES:		
Property taxes	\$ 4,474,000	\$ 4,593,201
Library fines and fees	109,000	84,578
Donations	31,000	27,239
Grants	182,045	207,328
Investment earnings	5,000	5,871
Miscellaneous income	1,000	8,307
Total revenues	<u>4,802,045</u>	<u>4,926,524</u>
EXPENDITURES:		
Salaries and benefits	2,553,500	2,475,601
Retirement	294,000	295,957
Books and library materials	710,000	620,209
Debt service	297,000	296,958
Programming and PR expense	225,000	214,914
Utilities	128,500	128,462
Maintenance and repair	111,950	96,144
Contracted computer service	63,300	72,694
Insurance	47,000	50,488
Library and office supplies	29,200	22,708
Legal and professional services	36,860	33,464
Staff development and training	31,480	28,707
Travel	21,200	14,948
Telephone	23,400	23,088
Postage	16,700	18,057
Miscellaneous	52,215	4,014
Association dues	4,915	2,392
Delivery van	4,400	2,285
Board activities	4,725	2,278
Capital outlay	146,700	-
Total expenditures	<u>4,802,045</u>	<u>4,403,368</u>
Excess revenues	<u>-</u>	<u>523,156</u>

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, 2015

	Original and Final Budget	Actual Budgetary Basis
Excess revenue - forward	\$ -	\$ 523,156
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	-	(677,334)
Net other financing (uses)	-	(677,334)
Net change in fund balance	\$ -	\$ (154,178)

BUDGET TO GAAP RECONCILIATION:

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

	General Fund
Sources/revenues:	
Actual amounts (budgetary basis)	\$ 4,926,524
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	(19,487)
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	\$ 4,907,037
Uses/expenditures:	
Actual amounts (budgetary basis)	\$ 4,403,368
Differences - budget to GAAP:	
The District budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	5,354
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	\$ 4,408,722

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, 2015

NOTE A – 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*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.063872%									
District's proportionate share of the net pension liability (asset)	\$2,072,262									
District's covered-employee payroll	\$1,443,552									
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143.55%									
Plan fiduciary net position as a percentage of the total pension liability	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 CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 296,456	\$ 272,687								
Contributions in relation to the contractually required contribution	<u>\$ (296,456)</u>	<u>\$ (272,687)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
District's covered-employee payroll	\$1,677,736	\$1,443,552								
Contributions as a percentage of covered-employee payroll	17.67%	18.89%								

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

ADMINISTRATIVE EXPENSE DETAIL

June 30, 2015

Utilities	\$153,877
Professional services	35,357
Contracted computer service	80,736
Office supplies	31,704
Staff development	29,743
Postage	18,057
Travel	14,948
Association dues	5,892
Delivery van	2,285
Board activities	2,278
Miscellaneous	<u>4,046</u>
Total Administrative Expenses	<u>\$378,923</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, 2015, 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 10, 2015.

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 10, 2015